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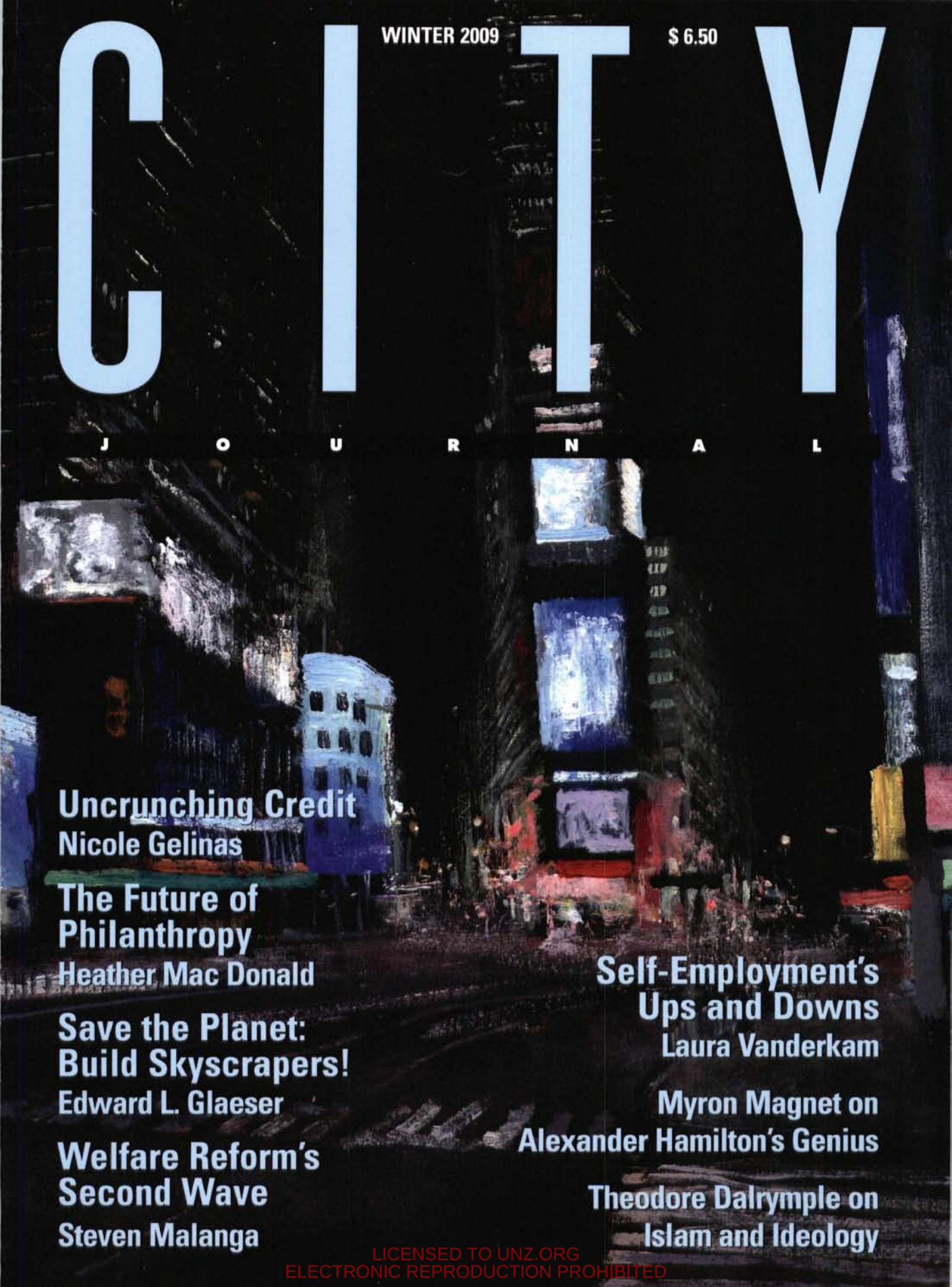

Uncrunching Credit
Nicole Gelinas

The Future of Philanthropy
Heather Mac Donald

Save the Planet: Build Skyscrapers!
Edward L. Glaeser

Welfare Reform's Second Wave
Steven Malanga

Self-Employment's Ups and Downs
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Myron Magnet on Alexander Hamilton's Genius

Theodore Dalrymple on Islam and Ideology

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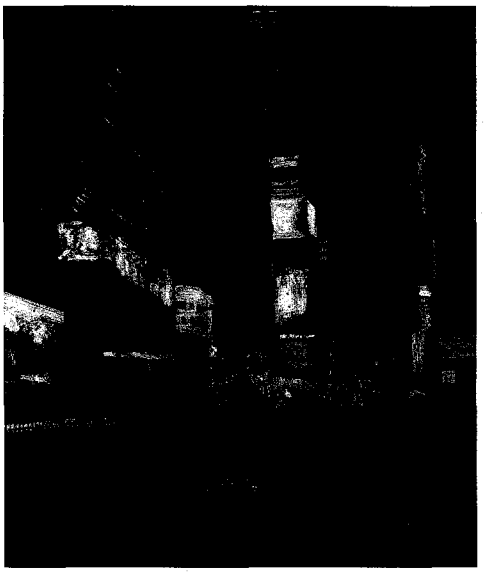

On the cover: an untitled depiction of Times Square by Jimmy Chen (acrylic on paper, 2007). Chen's work is held in private collections internationally. He lives in San Francisco and is represented by the George Billis Gallery: www.georgebillis.com. Courtesy of the artist and the George Billis Gallery.

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In Prospect

We enter 2009 with the Democratic Party resurgent in Washington and the nation facing an ongoing financial crisis and what's likely to be a deep recession. The Winter issue of *City Journal* features several significant essays taking the measure of our troubling situation.

In the farseeing "Can the Feds Uncrunch Credit?" (page 14), Nicole Gelinas assesses the government's ambitious efforts to jump-start borrowing and lending—a vital part of our economy's circulatory system that has all but stopped. Not only has the government embraced, perhaps overenthusiastically, its traditional role of money creator, recognizing that back in the 1930s, garroting the money supply transformed a severe economic downturn into the Great Depression; it has also assumed an unprecedented, and far more problematic, role as the private sector's direct lender of first and last resort. By allocating credit, the federal government is now picking and choosing the private sector's winners and losers. Its actions can't prevent a long downturn, Gelinas believes, but they can delay a revival and make the country less competitive after we've finally bounced back. It's an insight that Alexander Hamilton—"Modern America's Founding Father," as Myron Magnet describes him in his remarkable portrait on page 88—would understand well.

One of the true public policy achievements of the last two decades has been the 1996 welfare-reform act. However, as Steven Malanga narrates in the informative "Welfare Reform, Phase Two" (page 36), time-limiting aid and demanding work in exchange for benefits got so many people off welfare so quickly that many states grew lazy about getting their remaining welfare recipients back into the workforce. The controversial reauthorization of welfare reform in 2005 changed all that, reenergizing reform efforts and beginning a process that could eventually end welfare except for the most extreme cases. Will President Obama and congressional Democrats impede this progress? Obama's choice to head up the Department of Health and Human Services is former Senate majority leader Tom Daschle, an avowed enemy of the original reform bill—one bad sign, says Malanga. A second is that Democratic congressional leaders Nancy Pelosi and Harry Reid are also longtime foes of reform. A crucial battle looms.

Another important battle on the horizon concerns charitable giving. American philanthropy is a vital force for good, expressing the imaginative genius and countless enthusiasms of its donors, writes Heather Mac Donald in "Never Enough Beauty, Never Enough Truth" (page 26). Unfortunately, a phalanx of liberal activists and Democratic pols doesn't like this spontaneous creativity. It wants foundations to meet "diversity" targets in their giving and on their staffs. And if the charities don't comply, the advocates threaten, they will push for new laws forcing them to do so. This is the very opposite of true diversity, a kind of liberal authoritarianism that increasingly threatens American civil society. Mac Donald's essay is a call to arms to protect our rich philanthropic tradition.

There's been much fervent talk about "green jobs" of late. Indeed, during the 2008 presidential campaign, candidate Barack Obama promised to help create millions of these eco-friendly positions—which, he claimed, would both stimulate the U.S. economy and make energy production greener. The only problem with the green-jobs claim, observes Max Schulz on page 43, is that it's economically preposterous. For the government to promote green employment amounts to subsidizing unproductive energy industries at the expense of efficient ones, with harmful effects on economic competitiveness. There may be reasons to support green technologies, Schulz says, but economic vitality isn't one of them.

Economist Edward L. Glaeser does some environmental myth-smashing of his own in "Green Cities, Brown Suburbs" (page 50). If we really want a greener planet, he points out, we should cheer on construction in places with undersized carbon footprints, like temperate California cities—often the very places where environmental regulations have made building the most difficult. Glaeser's kind of commonsense reasoning is something we'll need a lot more of as the Obama years get under way.

—Brian C. Anderson

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oundings

The Latino Voting Trickle

Hispanics didn't elect Barack Obama.

Steven Malanga

The day after the 2004 presidential election, columnist Dick Morris proclaimed that George W. Bush owed his victory to Hispanics—a startling conclusion that Morris based on reports that 45 percent of Hispanics had voted for the president and that their vote constituted a whopping 12 percent of the electorate. Given that 1996 Republican nominee Bob Dole had won just 21 percent of the Hispanic vote, the more than doubling of support over eight years was sufficient, in Morris's eyes, to appear decisive.

The only problem with this thesis was that few of its facts were correct. Exit polls, recall, were wildly inaccurate that year. Subsequent academic analysis of the polls concluded that only about 37 percent of Hispanics had pulled the lever for Bush—about the same percentage as had voted for Ronald Reagan in 1984, and hardly a historic shift. Moreover, a Census Bureau analysis estimated that Hispanics accounted for 6 to 8 percent of the 2004 electorate, not 12 percent. Nevertheless, the idea that Hispanics had given unprecedented support to a Republican presidential candidate became a compelling media story line, especially during the immigration debates of 2007, when commentators wondered whether a Hispanic backlash against the GOP's tough position on illegal immigration would sink Republicans at the polls.

Then, in the wake of Barack Obama's 2008 election victory, commentators dredged up the old, discredited 2004 numbers and used them as evidence that Hispanics had shifted impressively toward the Democratic Party and had even been instrumental in the outcome. *USA Today* argued that Obama had "reversed" gains made among Hispanics by Bush, who, the paper erroneously said, had carried 44 percent of the Hispanic vote in 2004. The paper also noted that Hispanics were the country's fastest-growing ethnic group—a misleading statistic in this context, because Hispanics don't vote at anywhere near the rate that their numbers would suggest. But *USA Today* wasn't alone. The *New York Times* claimed that Obama had garnered 13 percentage points more of the Hispanic vote than John Kerry did four years ago (he did only a few points better) and implied, again, that Bush had won somewhere in the mid–40 percent range of the Hispanic vote.

The numbers actually show something quite different: Hispanics shifted away from Republican candidate John McCain at virtually the same rate that the entire electorate did. McCain earned 5 percentage points fewer of the total vote than Bush did in 2004, and similarly got 4 to 5 percentage points fewer than Bush's share of Hispanic voters. This was in line with how other constituencies voted, too: Obama peeled off several percentage points of support from McCain among vastly dissimilar voting blocs, from Christian evangelicals to women voters, from those making $200,000 or more in annual income to voters lacking a high school education. None of this is surprising. According to a Pew Hispanic Center poll, the issues that mattered most to Hispanic voters were education, the cost of living, jobs, and health care—at the top of the list for almost every voting group.

Pew also found no sharp increase in Hispanics' voting rates in 2008, estimating that they made up about 8 percent of the electorate, roughly the same percentage as in 2006 and just slightly more than in 2004. What some pundits have referred to as the Latino voting tsunami is more like ripples in a stream.

What the 2008 election really demonstrates is that Hispanic voting patterns remain pretty much where they've been for the past 30 years. The most successful Republican candidates—Reagan in the 1980s and Bush in 2004—garner somewhere in the high 30 percent range, and the Hispanic vote deviates from that figure depending on the quality of the Republican candidate.

Why has the GOP been unable to make more headway among Hispanics? One answer has to do with income. As political scientist Andrew Gelman notes in his new book, *Red State, Blue State, Rich State, Poor State,* lower-income voters continue to vote disproportionately Democratic, despite a popular notion among pundits that many of them have shifted to the GOP for

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cultural reasons. That fact suggests that Hispanics—nearly half of whom live in households whose earnings fall in the country's bottom two income quintiles—would naturally trend Democratic. And in fact, in the McCain-Obama contest, 83 percent of Hispanic voters with annual incomes of $15,000 or less voted for Obama, as did 71 percent of those earning between $15,000 and $30,000. By contrast, 51 percent of those with household incomes between $150,000 and $200,000 voted for McCain.

McCain hardly ran a campaign that appealed to voters worried about the country's economic woes. Those voters, especially in lower-income households, went strongly for Obama. That, more than anything else, explains much of the "shift" in Hispanic voting last November.

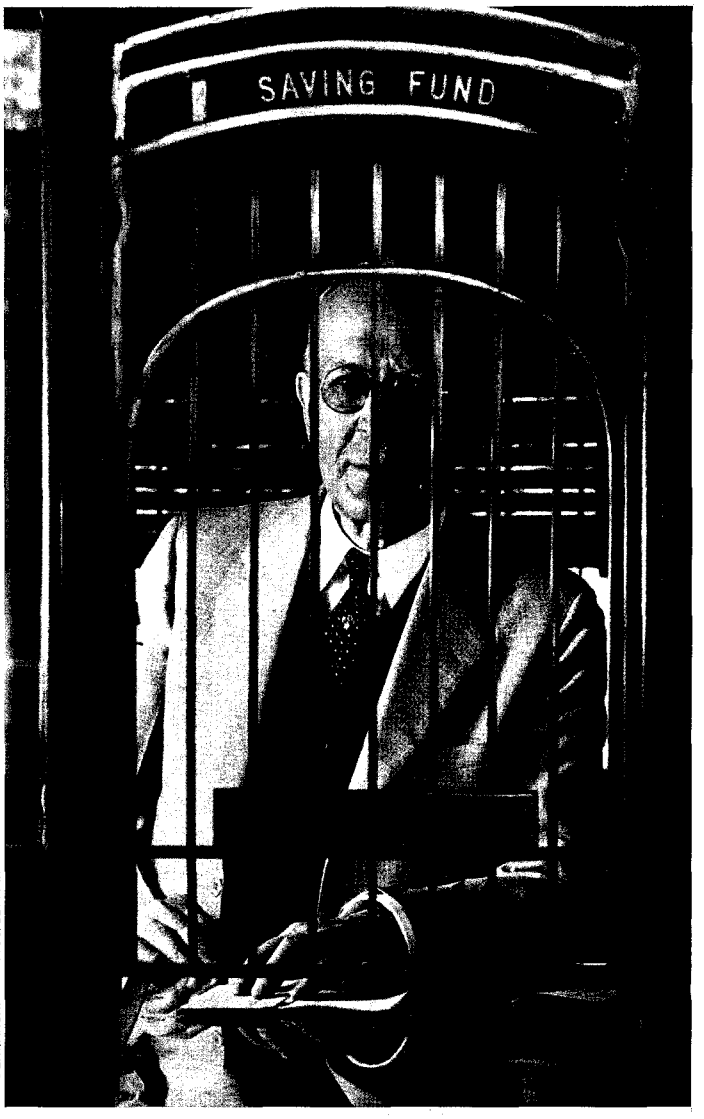
The Postmodern Financial Crisis

"It is true because we say it is" has run its course.

André Glucksmann

Great economic crises like the one we are currently going through do not come from just anywhere at any time; they are stuffed with history. They are crises of the ethos of capitalism.

When Max Weber singled out Calvinism as the origin of modernity, he was wrong to focus exclusively on the Protestant ethic, but right to uncover a collective moral commitment that stood behind market mechanisms. With the war of 1914–18, however, the careful, thrifty bourgeois gave way to the panicking, spendthrift bourgeois. "The war has disclosed the possibility of consumption to all and the vanity of abstinence to many," observed John Maynard Keynes in 1920. "The labouring classes may be no longer willing to forgo so largely, and the capitalist classes, no longer confident of the future, may seek to enjoy more fully their liberties of consumption so long as they last." Later, the rise of totalitarianisms black and red brought about the emergence of a bourgeoisie conscious of its own finitude. Like the New Deal, the European idea of a socially regulated market economy was a response to the threat, represented by Hitler and Stalin, of the extinction of fundamental freedoms.



LAMBERT/ARCHIVE PHOTOS/GETTY IMAGES

Then, with the collapse of Communism, a fourth evolution: the bourgeoisie for whom saying is doing. The Berlin Wall had fallen—long live the new, reconciled world! The new ethic left all fears and reproaches behind and embraced a postmodern credo claiming that all devils were dead. The market economy has always relativized goods, by revealing their exchangeability,

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and the Good, by tolerating its multiplicity. But our age is the first to proclaim the power to reduce risk to zero simply by spreading it around. It is the smiling reign of "positive thinking"—with ultimately disastrous effects.

What led to the current crisis was not so much a faulty financial technique that we might promise to control from now on, that is, but the general state of mind that allowed its unchecked use. Capitalism, we should have remembered, involves at once prudent regulation and the imprudent transgression of old rules, the sharing of risks and the audacity to risk more successfully than others. Economic progress is not peaceful; it is always alternating between creation and destruction, as old productive forces are left behind and new sources of wealth explode. But after the end of the Cold War, the promise of a pacified world seemed to announce the blessing of a postmodern history without challenges, without conflict, and without tragedy, a history in which you could get away with anything. We are reaping the consequences of an excess of confidence, suffering for lack of a Cassandra.

The speculative bubble was based on a bet that served as its own foundation. It was "performative," in the terminology of the linguistic philosopher John Austin. "This session is now open," proclaims the president in an assembly. It's true because he says it: here reality is based on speech, while in ordinary cases speech is based on reality—that is, it is not performative but indicative. Similarly, the financial bubble, piling credit on top of credit, got rich on self-affirmation. It was contained in its self-relation, which is what made it a bubble. It gradually eliminated the principle of reality: nothing counted but the financial products invented by people's investments.

The fantasy of omnipotence animated not only the trader but also those who let him go his way; not only the heads of financial institutions but also the political, academic, and media authorities who saw no problem with any of it. Indeed, the performative ideology—"It is true because we say it is"—has governed the Westernization of the planet since the end of the Cold War: because the enemy camp disintegrated, the future belonged to us, and all fundamental dangers vanished.

Postmodernism, which places itself "beyond good and evil," beyond true and false, inhabits a cosmic bubble. It would be a good thing if fear of a universal crisis allowed us to burst the mental bubble of postmodernism—if it washed away the euphoria of our pious wishes and brought us once again to see straight. That may be no more than another pious wish. But we should not succumb, as so many did in the 1920s, to a catastrophic sensibility. Yes, history is tragic, as Aeschylus and Sophocles knew. And yes, it is as stupid as set forth in Aristophanes or Euripides. No roll of the dice and no act of God or of mathematically refined finance can abolish chance, corruption, or adversity; the providence of the stock market cannot save us any more than that of the state. Let these lines from Plato be inscribed at the entryway to future G-20 meetings: "Is there not one true coin for which all things ought to be exchanged?—and that is wisdom."

Recession-Proof Diversity

Harvard expands its futile quest for proportional faculty.

Heather Mac Donald

The college diversity racket is immune to economic downturns. Harvard University has announced its latest diversity dean for the Faculty of Arts and Sciences. Any rational budget analyst would mark this deanship for the ax, since it overlaps with the senior vice provost for faculty development and diversity—and with the cochairpersonships of the Standing Committee on Women. Yet it would appear that no financial meltdown, no matter how great, can shake academia's manic and irrational pursuit of a creature as imaginary as a unicorn: an even remotely qualified faculty made up of proportional numbers of blacks, Hispanics, and women.

Back in 2005, then-president Larry Summers inflated Harvard's already bloated diversity bureaucracy in penance for suggesting, in the

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spirit of open academic debate, that the distribution of high-end math skills in men and women could at least partly explain male dominance in the hard sciences. That recklessly truthful comment ultimately cost Summers his presidency, but not before he bootlessly tried to placate the diversity machine by creating a diversity sinecure—the senior vice provost for faculty development and diversity—and committing $50 million to a fanatical search for a racially and sexually proportional faculty.

Now, Harvard president Drew Gilpin Faust and dean Michael D. Smith have appointed sociology and African-American studies professor Michele Lamont the Faculty of Arts and Sciences' diversity dean. Lamont—an "expert on the dynamics of social exclusion in France and the United States," the *Harvard Crimson* says—will also chair yet another new diversity committee. But please don't confuse the diversity dean for the Faculty of Arts and Sciences with the senior vice provost for faculty development and diversity. They are not the same, though how they differ is a mystery beyond ordinary human ken. The diversity *provost* just published a report comparing the percentage of minority and female professors at Harvard and other universities; the new diversity *dean* will use this latest report to browbeat departments for their lack of diversity, which the diversity provost does as well.

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Not daunted by the superfluity of her role, Lamont plans to "research what other universities are doing on the diversity front," the *Crimson* reports, something that the senior vice provost for faculty development and diversity also does. The answer, no matter who's asking, is simple. For the last 30 years, Harvard and its peers have pledged repeatedly to find the Holy Grail of perfect diversity. They have remained deliberately blind to the fact that the critical precondition to attaining diversity—a sufficient number of qualified minority Ph.D.s across the academy and of female Ph.D.s in the hard sciences—is not in place. They have desperately searched the horizon for a miraculous, undiscovered trove of qualified "diversity" candidates, and lowered hiring standards when they have failed to discover it. And, of course, they have obsessively produced comparative diversity studies for years, as if running the numbers would magically produce candidates who don't exist.

If ever there were a time to reconsider this futile quest, now would be it. Harvard lost at least $8 billion from its endowment—or 22 percent—between the end of June and early December. The university has put a freeze on faculty salaries, searches, and promotions. In a November 10 letter to the Harvard community, President Faust called for "greater financial discipline" and said that "tradeoffs and hard choices" could no longer be put off. Well, getting rid of Harvard's duplicative diversity apparatus wouldn't even be a "hard choice." When one is cutting budgets, the most obvious items to target are those that don't accomplish anything. The diversity racket fits that description to a tee.

Lamont is already up to speed in the three essential qualifications of a diversity bureaucrat: pretending that the sinecure requires special expertise, repeating the same tired bromides that have been endlessly regurgitated for years, and ignoring reality. "I'm basically using my knowledge to advise [Dean Smith] and to educate the Faculty," she told the *Crimson*. And in what arcane science will she be "educating" the faculty? In the agonizingly trite and wholly unjustified

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assertion that "diversity and excellence are not opposites—they're additive."

On the reality front, the fact that faculty searches and promotions have been frozen would seem to preclude "diversity" hires and promotions. Not to a diversity dean, however. Lamont says that she sees "opportunity" in the financial crisis. Departments will be able to focus more on diversity issues, Lamont said, according to the *Crimson*. Believing that departments can make diversity hires during a hiring freeze is no more irrational than believing that a department can achieve racial proportionality when the number of black and Hispanic Ph.D.s in substantive fields barely registers.

Lamont's expertise in the "dynamics of social exclusion" will no doubt sharpen her eyes to the exceedingly subtle ways that Harvard excludes blacks and minorities. Someone without the special insights of a diversity dean might find such a claim of exclusion inconsistent with Harvard's having poured millions of dollars into finding and promoting minorities and women. Too bad Harvard can't direct just as much energy to scoping out waste. Somewhere within that massive university, vital scholarship and scientific research takes place. While such research may be jeopardized by the current financial crisis, it's all the more at risk from Harvard's foolish conformity to diversity nonsense.

The Persian Version

My 15 minutes of Iranian fame

James Kirchick

The request sounded innocent enough. "To all editors and TV stars on staff," read the e-mail from an intern to the office-wide listserv of *The New Republic*, the magazine I work for. "A woman just called the office from Atlantic Television News (ATN), which is based in Denmark but has an office on K St. She is looking for someone to go on their news show Friday at 3 PM to do post-op on the VP debate."

Two days later, I showed up at the studio, where a woman wearing a Muslim-style headscarf and the producer, another woman with a Middle Eastern–sounding name, greeted me. They led me to the green room, where one of my co-panelists, an Arab political analyst, was talking loudly on his cell phone. A homogeneous country, Denmark must be trying to impress us multicultural Americans, I presumed. Then my co-panelist finished his cell-phone conversation and asked me, "Is this your first time appearing on PressTV?"

"PressTV?" I asked. "This is PressTV?" He nodded, looking quizzical. Far from sharing my thoughts on a Scandinavian political chat show, I was about to appear on the international propaganda channel of the Islamic Republic of Iran. Founded in 2007, PressTV is the primary vehicle by which the Iranian government attempts to make its foul case to the world; the 24-hour, English-language network makes *Pravda* look like a bastion of objective reporting. Unable to find respected journalists to front for it abroad, PressTV has hired as hosts the likes of George Galloway, the fire-breathing British MP who reliably spouts the talking points of anti-American thugs, and Tariq Ramadan, the Swiss-born Islamist scholar who masquerades as a moderate. Given PressTV's ugly agenda, not to mention the producer's subterfuge in inviting me, to say that I felt used would be an understatement. Not only are the Iranians terrorist sponsors, I thought; they're liars as well.

Why would PressTV use deceit to get me on air? I like to think it's because they assume that American journalists would have too much integrity to appear otherwise; that given the opportunity to appear on the Islamic Republic's propaganda network, we'd either refuse or use the opportunity to denounce the regime as the tyranny that it is. A friend of mine had appeared with some frequency on PressTV for just that purpose, though he began to ignore its requests after the station's website posted an essay by a Holocaust denier.

Unsure about what to do, I put in a call to a national security reporter who had once appeared on a live PressTV broadcast. As soon as he had the opportunity to talk, he demanded "the release of the following people" and read a list of Iranian political prisoners. PressTV has not invited him back. "This is what you're going

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to do," he said. "Go on your BlackBerry to the Human Rights Watch or Amnesty International website and find a list of prisoners." I did just that and covertly scrawled a few Persian names onto a scrap of paper as the producer shuffled me from the green room to the studio.

My appearance, however, was to be taped for later broadcast. Pulling my friend's heroic stunt would be worthless; the producer would presumably edit out any act of defiance. But I decided to take advantage of the uncomfortable situation nonetheless. The bias of the program on which I was booked—*American Dream*, a panel discussion about current events in the United States—became apparent early on, during a man-on-the-street-type segment in which a PressTV reporter asked Washingtonians for reactions to the vice-presidential debate. Curiously, the interviews took place at Busboys and Poets—a bohemian bookstore and café that prominently displays the collected works of Noam Chomsky, holds a speaker series featuring the likes of Tom Hayden and Amiri Baraka, and covers its walls with pictures of Gandhi and César Chavez—and the interviewees' opinions were predictably far to the left.

Throughout the rest of the show, every gaffe of Republican candidate Sarah Palin was played, and my two co-panelists—the Arab political analyst and a liberal political science professor from George Mason University—piled on ridicule, goaded by the anchor. (Meanwhile, weirdly, the video screen hanging behind our chairs showed not Palin herself but a woman in a pantsuit sporting wire-rimmed glasses who only vaguely resembled her.) Criticizing the Democratic ticket was left to me.

That was until the program ran a clip of Democrat Joe Biden pledging that an Obama administration would use military force to prevent genocide and in cases "when a country engag[es] in harboring terrorists and will do nothing about it." I agreed with Senator Biden, I said, and praised him for lucidly explaining a "fundamental tenet of the Bush Doctrine" that clearly applied to "a country obviously on everyone's radar now, which is Iran." The Islamic Republic is "harboring terrorists who are killing American soldiers" in Iraq and Afghanistan, I said. It supports Hamas and Hezbollah, itself responsible for the murder of 242 servicemen in the 1983 Marine barracks bombing in Beirut. And it is currently pursuing a nuclear weapons program while simultaneously calling for Israel's destruction.

"There we go again with the neocons' garbage!" interrupted the Arab analyst. "Neocons want America to fight Israel's fights." What followed was the predictable conspiratorial diatribe heard so often in Muslim media, interesting only in that my interlocutor had the sophistication to cite Pat Buchanan's assertion that every American war was waged on Israel's behalf.

Much to my surprise, the producer invited me back the day after the election for a discussion of then-president-elect Obama's foreign policy. Could I make it to the studio in 30 minutes? I rushed over—sans tie, jacket, and shave—and found myself on a live satellite feed alongside a columnist for the *Socialist Worker* and a London-based spokesman for the Islamist group Hizb ut-Tahrir (which seeks the restoration of the caliphate under sharia). The spectrum of political thought on PressTV is so extreme that its right and left wind up on exactly the same page.

It was reassuring to hear my co-panelists moan that Obama was "no revolutionary" and that capitalism and warmongering would remain an integral part of American foreign policy. Throughout the discussion, a voice in my earpiece repeatedly insisted that I "interject." When I finally did—calling the Islamist a "fascist" during a rant in which he alleged that "there were never ethnic tensions in Iraq until the U.S. invasion," that the United States had "commit[ted] genocide against a sovereign country," and that "freedom and liberty are dead" because of American behavior—the show's host lectured me "not to let this noble opportunity for debate plunge into the abyss of scurrility." I still wonder, when I remember the producer's effort to get me to interrupt and the strangely florid rebuke from the host, whether the whole effort was a ruse to make the American guest look boorish.

Though I'd been able to shoot down a few lies that otherwise would have gone unchallenged, both of my PressTV appearances left me

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feeling that I'd been used for propaganda purposes. PressTV isn't broadcast in Iran, so my verbal samizdat didn't reach the people most in need of hearing it. In the rare event that a producer from "Atlantic Television News" calls again, I'll inform her that I will gladly appear—when the Iranian people can watch in freedom.

The New Number Crunchers

Quantitative measurement is telling us more about school performance.

Marcus Winters

Over the last two decades or so, quantitative researchers—particularly economists—have wrestled the attention of education policymakers away from teachers and education professionals. Drawing on the federal and state governments' creation of rich, longitudinal data sets in education, the researchers have attracted strong proponents in both political parties with their sophisticated analyses. New secretary of education Arne Duncan, for example, is generally known as a supporter of a data-based approach to education and has praised incentive-based reforms, such as performance pay for teachers and charter schools, that economists tout. The prominence of quantitative measurement and econometric tools has important implications for the future of American education.

The most immediate benefit has been an improvement in empirical evaluation. Economists bring powerful statistical techniques to bear on the relationship between specific policies and student results. We now have a much firmer understanding of the answers to key questions—just how much teacher quality varies, for instance.

The role of economic theory in educational reform has proved more controversial, however, partly because economists' thinking about education differs from that of teachers and parents and can rub them the wrong way. People who are attached to the public school system tend to focus on pedagogical practices and educational resources—that is, on curriculum, funding, and class size—because they assume that all parties are already working hard to improve student learning. But educational economists take a more behavioral approach. Over the last 30 years, they point out, school per-pupil resources have more than doubled in real dollars; yet all measures suggest that student achievement has remained stagnant. Schools already have the financial resources they need but are using them inefficiently, the economists argue. To them, the system operates ineffectively because of flawed incentives. Their goal is to align the incentives of administrators, principals, teachers, and even students with behavior that produces positive results.

Viewed through an economic lens, the incentives of the current public education system are completely out of whack. To take just one example: public school teachers are paid based on their years of experience and possession of advanced degrees. This may make sense to the teachers themselves and to education-college professors, but as an economic model, it's nonsensical. Thanks to modern econometric studies, we can say with confidence that a teacher's ability to produce student proficiency does not depend on experience and advanced degrees. Economic theory tells us that a better system would pay teachers according to their productivity.

While such a quantitative approach may seem heartless, it in fact provides the most powerful social-science framework available for optimal decision making with scarce resources. Further, the ability to step away from the classroom and think logically about education can be tremendously helpful. Looking a child in the eyes can fog anyone's judgment. We can readily produce policies that make a child smile in the short term, but lead to tears down the road if that child fails to acquire the skills necessary for a productive, fulfilling life.

At the same time, it's important to keep in mind the limitations of the quantitative approach. Analytical work can become too far removed from the classroom and lose sight of the ultimate goal, which is indeed improving the lives of children. Economists can also overlook the differences between analyzing businesses and analyzing schools. It's almost certainly the case, for example, that teachers are internally motivated to help their students in a way that employees in a

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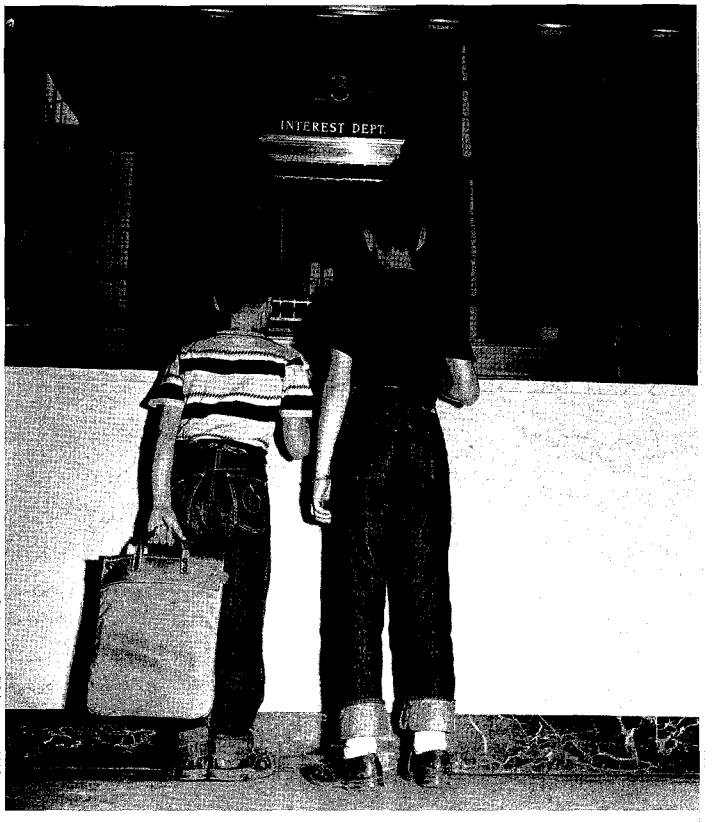
firm—generally motivated by external rewards, like salary—are not. Economic models based on pure incentives, then, will not work quite the same way in the two environments. A model based on increasing employee rewards at a private company might show a uniform uptick in performance, while teacher performance-pay models show a less uniform (though still demonstrative) improvement.

The influence of quantitative research on education is already noticeable. Incentive-based reforms are increasingly in use. School accountability policies are now enshrined in federal law under the No Child Left Behind Act. School choice is now widely viewed as desirable in one form or another. Several school systems have begun to experiment with performance pay to reward teachers who do the best jobs. Though we still have much to learn about such policies, many studies suggest that they are improving school effectiveness.

Looking ahead, it's safe to say that quantitative tools for measuring educational progress are here to stay. Less certain—and more dependent on political currents—is the fate of incentive-based reforms grounded in economic analysis.



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Another Green Revolution

Genetically modified food offers hope for the world's malnourished.

Bjørn Lomborg

Shortly after the Second World War, a "Green Revolution" began to transform agriculture around the globe, allowing food production to keep pace with worldwide population growth. By means of irrigation, fertilizer, pesticides, and plant breeding, the Green Revolution increased world grain production by an astonishing 250 percent between 1950 and 1984, raising the calorie intake of the world's poorest people and averting serious famines. The revolution's benefits have tapered off, however, as the number of mouths to feed has grown ever larger and as conventional breeding of new plant varieties has produced diminishing returns. What's needed is a new revolution. Luckily, most agricultural scientists believe that the planet's requirements for agricultural production could be met through genetic modification (GM)—if environmental activists don't keep it from happening.

The conventional plant breeding of the Green Revolution, itself a more primitive form of GM, produced high-yielding strains of rice, corn, and wheat. These were "dwarf" versions of traditional crops with shorter stems that performed better in irrigated, fertilized soil. American agronomist Norman Borlaug introduced the high-yielding varieties to Mexico, Pakistan, and India and was eventually awarded the Nobel Peace Prize, the Presidential Medal of Freedom, and the Congressional Gold Medal. In a 2004 tribute on the occasion of Borlaug's 90th birthday, the U.S. Senate declared, "It is very likely that Dr. Borlaug is directly responsible for saving more lives than anyone else in the twentieth century."

Today, continuing on GM's well-trodden path, biotechnology offers the hope of increased food

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production with less environmental damage. Where scientists once crossbred plants through a slow process of trial and error to get the genes for a desired trait, today's breeders can isolate precisely the genes they want and insert them directly into the plant. The possibilities are enormously exciting. Plants could grow sustainably in areas left out of the first Green Revolution—in sub-Saharan Africa, for example, where the need is great. Farmers could grow plants that are resistant to disease or drought and don't need chemical fertilizers. Genetic modification also offers the potential of consumer-focused improvements, such as staple crops fortified with extra nutrients.

In fact, genetically modified food has been consumed for years by hundreds of millions of American consumers. The crops are also grown in 22 other countries, including Argentina, Brazil, Canada, China, and India. The International Service for the Acquisition of Agri-biotech Applications estimates that more than 50 million farmers around the world planted genetically modified crops last year. These crops include herbicide-tolerant canola, allowing farmers to achieve higher crop yields and use fewer chemicals; corn with a built-in natural insecticidal protein to protect it from borer and root worm without spray insecticide; and rice with extra iron and a protein that increases iron uptake, which is especially promising because of the widespread problem of iron deficiency.

Though no known health problems have resulted from eating crops produced by GM, scaremongering about the practice is widespread. In much of Europe, the campaign against genetic modification has had considerable success: England's Prince Charles proclaims with imperial certainty that genetic modification is "guaranteed to cause the biggest disaster environmentally of all time," and the specter of "Frankenfood" has all but driven GM edibles from the European marketplace. More troublingly, both Zimbabwe and Zambia have blocked food aid that wasn't certified free of genetically modified material. During a drought in 2002, Zambia's then-president, Levy Mwanawasa, rejected U.S. food aid, saying that the hunger of his people was "no justification to give them food that is intrinsically dangerous to their health." It wasn't until December 2005 that Zambia reversed course in the face of further famine and allowed the importation of genetically modified corn.

Such opposition to GM is particularly counterproductive now. In 2008, malnutrition in mothers and their young children claimed 3.5 million lives. Global food stocks reached historic lows last year, and food riots erupted in West Africa and South Asia. Consumers in transitional economies like China and India are demanding more than subsistence diets, and drought has hindered Australian crop production. Progress is distressingly slow on the United Nations' goal of halving the proportion of hungry people by 2015.

Of course, before we adopt genetically modified foods, we should always test them rigorously for their potential impact on the environment and on people's health. But it would be criminal to disregard the hope that biotechnology offers to the world's most malnourished people. "Some of the environmental lobbyists of the Western nations are the salt of the earth, but many of them are elitists," Borlaug once memorably said, referring to critics squeamish about the tools that *he* used during the Green Revolution. "They've never experienced the physical sensation of hunger. They do their lobbying from comfortable office suites in Washington or Brussels. If they lived just one month amid the misery of the developing world, as I have for 50 years, they'd be crying out for tractors and fertilizer and irrigation canals and be outraged that fashionable elitists back home were trying to deny them these things."

Innovation in Its Place

Cities prosper through spontaneous enterprise, not top-down planning.

Dane Stangler

Two major studies have recently appeared focusing on American cities and regions as drivers of national prosperity: a report by the Association of University Research Parks (AURP), *The Power of Place*; and corporate and political consultant John Kao's new book, *Innovation Nation*. Both the

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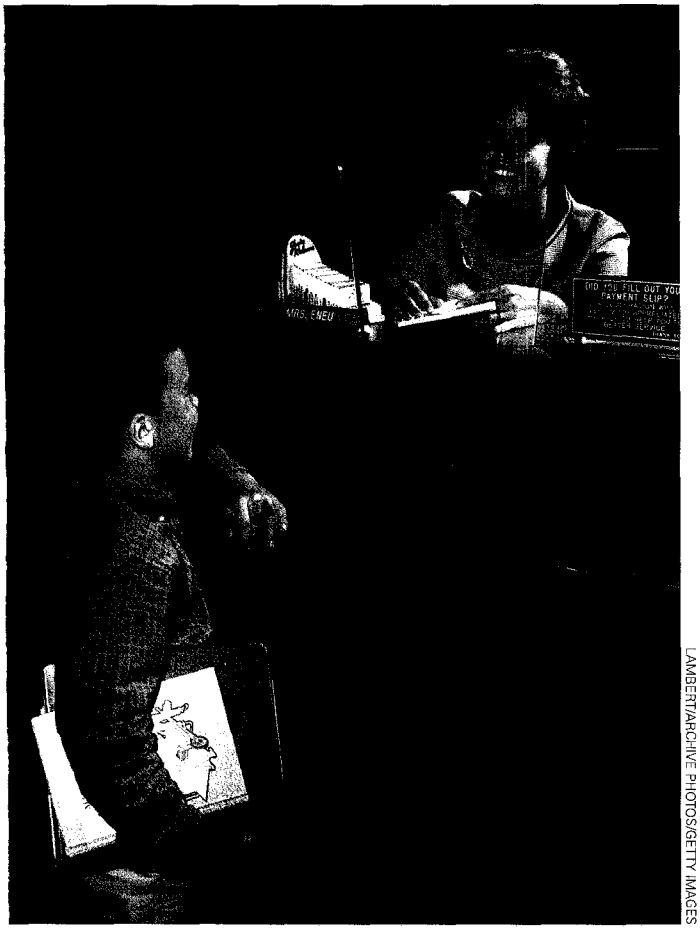

LAMBERT/ARCHIVE PHOTOS/GETTY IMAGES

AURP and Kao address familiar concerns—insufficient federal funding of basic research, a short supply of scientists and engineers, and poor test performance by American students. Their emphasis on cities makes sense, since only by pursuing economic policies centered in urban regions will the United States continue to enjoy prosperity. But cities, by their nature, have always encouraged human creativity; they do not need external entities to swoop down and bestow innovation upon them. This stubborn reality collides with the AURP and Kao's place-based proposals.

The AURP report, for instance, wants a "national strategy" that will build "formal zones of innovation"—a phrase that should win the prize for oxymoron of the year. For his part, Kao envisions a National Innovation Council that would create two dozen "Innovation Hubs" around the country. It's not that geographically concentrated areas of innovation are undesirable—places like Silicon Valley, Tysons Corner, and the Research Triangle have been hugely important to recent American economic performance. What's mistaken is the notion that we can set out to plan and construct such areas.

Take Silicon Valley: the oft-told (and simplistic) tale is that Stanford University acted as its font of entrepreneurship and that other regions need merely establish similar incubators and research parks to emulate this success. While it's true that Stanford played an important role in the Silicon Valley story, the region's road from naval research in the early 1900s to Google in the 1990s was hardly planned or anticipated. Rather, innumerable contingencies and accidents shaped developments that only in retrospect seem inevitable. An important element in Silicon Valley's rise, in fact, may be that no one sat down and composed an "innovation construction plan" for the region.

A similar dynamic prevails today among myriad locations seeking to become the next Silicon Valley. In the Kansas City region, where I live, much energy has been expended in the last several years on turning the metropolitan area into a biotechnology hub. Not often mentioned, however, is the primary reason Kansas City can even begin to envision such a future: Marion Laboratories, a company that serves as what some call a "surrogate university," has fostered talent and knowledge that resulted in dozens of spin-off companies. Kansas City benefited from no innovation-strategy plan and no regional guiding council, but only from the efforts of individuals and firms working toward their own ends.

This isn't to say that government doesn't have a role. But the public sector is most effective when its policies act indirectly to encourage spontaneous enterprise: keeping barriers to entry low, allowing businesses to grow without excessive regulation, and making a region attractive for newcomers. Rather than the top-down visions of planners, such modest, commonsense policies are the best kind of place-based innovation strategy.

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Can the Feds Uncrunch Credit?

Maybe—but Washington's unprecedented interventions could make things much, much worse.

Nicole Gelinas

In its extraordinary actions over the past few months, the American government is trying to do the opposite of what it did the last time an economy-wide financial crisis rocked the country. During the Great Depression, policymakers chose to stand by and watch as banks failed and as spooked savers hoarded dollars, gutting spending and investment. The government, instead of expanding money and credit, allowed it—indeed, encouraged it—to vanish from the economy. Scholars, most notably the late Milton Friedman, long ago convinced mainstream economic thinkers that this monetary policy blunder pushed the nation and then the world into a long-term contraction during the thirties and kept it slumping for a decade.

So in the months and years ahead, we will see if a vastly ambitious government expansion of money and credit, probably far beyond what Friedman had envisioned, can fix today's crisis, in which, after the housing market began to collapse in 2006, private lending and borrowing have screeched to a halt for the first time in modern history. During the last few months of the Bush administration, the government embraced its traditional role of money creator and also, with gusto, a brand-new role of direct lender of first and last resort to the private sector. It's unlikely that President Obama will mandate any change in philosophy. But there's no guarantee that any of it will work.

To understand why credit is so important, you need to understand money. Unless we want to barter for everything—I'll write you this

Illustrations by Sean Delonas

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article, and you can cut my hair in return—we need a stable, objective store of value to exchange: in America's case, the dollar. As the economy naturally expands—the result of both a growing population and increased productivity, through technology and the like—the money supply, too, must expand.

The Federal Reserve, an independent body created by Congress, plays a vital role in this task. If the Fed thinks that money is too "tight"—that a lack of money growth is squelching economic growth—it can cut the interest rate that it charges banks to borrow directly from the government, and it can also use its own immense reserves of dollars to buy bonds in the market, thus flooding money into the economy. If it deems money too "loose"—when too much money chasing the same amount of goods and services around threatens to increase inflation, raising the price of a hat from $10 to $20, say, and eroding the dollar as a reliable store of value—it can raise interest rates and sell bonds to absorb dollars back into its coffers. The goal is to keep prices generally steady. In practice, the Fed considers itself to be doing a decent job of regulating the money supply if prices expand just a little—say 2 percent—each year.

But the Federal Reserve isn't alone in determining the money supply. Regular people, too, must have enough confidence in the Fed's ability to regulate money to "store" their own capital in dollars. If they lose confidence in the dollar, they'll do business in foreign currencies or gold instead. Just think of what has happened in Zimbabwe, where the government's disastrous mismanagement of inflation has obliterated its citizens' confidence in the nation's paper money, leading them to abandon it en masse and destroy whatever remaining value it had.

Credit is money's natural derivative. It's impossible for everyone to have the exact amount of money that he needs at exactly the right time. If I'm making $75,000 a year as a young software engineer but don't have a family and I rent a small apartment, I probably have too much money. So I keep some in a savings account—where indirectly, through the bank, I lend it to someone who doesn't have enough money when he needs it: maybe someone earning about as much as I do but who, with a new wife and a baby on the way, wants to buy a home.

Here, too, the Fed plays a big role: when money is "easy" because of low interest rates, banks can borrow and lend cheaply. But global markets are equally important. A few years ago, Chinese investors were happy to lend to Fannie Mae and Freddie Mac to create cheap American mortgages; now, despite the Fed's best efforts, they're not so interested.

Like the money supply, credit should expand steadily, because an expanding populace as well as expanding businesses need ever-greater access to funds. Further, as the value of assets—from stocks to houses to office buildings—rises steadily with economic growth and productive use, they can support greater borrowing themselves. In fact, from 1952, when the Fed started keeping consistent records, household debt, encompassing everything from mortgages to credit cards, *did* expand, month after month after month, until it declined in the fall of 2008.

American homeowners, consumers, and corporations owe roughly $25 trillion, according to Federal Reserve data. But American banks lent only about $8 trillion of that total directly—that is, keeping the loans on their own books. Bondholders and other traditional lenders provided another $7 trillion. The remaining $10 trillion, according to Standard & Poor's, came from the securitization markets, a relatively new invention. Starting in the eighties, banks decided that they didn't need the bother of holding on to loans, such as mortgages, forever. Instead of being permanent middlemen, they would become temporary matchmakers, structuring all those mortgages and credit-card obligations into securities, much like corporate bonds, and selling them to global investors. (Often the banks did serve as managers of assets for those investors, but this role was not the same as being a direct lender.)

The purchasers of these "securitized" financial instruments—from the Luxembourg government to Finnish school districts to midwestern pension funds—no longer had the protection of the bank's own credit in the middle to assure payment in case the underlying borrowers defaulted. But these investors didn't worry much because,

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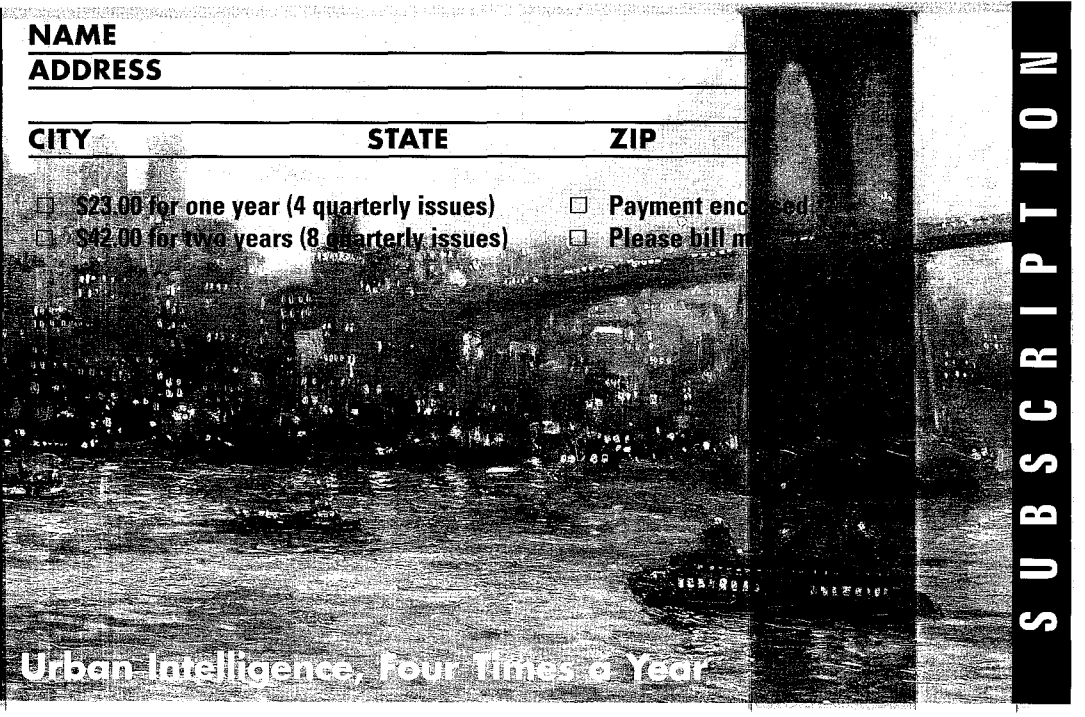

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particularly over the past decade, securitization seemed such a sure thing. Global investors were confident that American bankers, through their financial-engineering and technological prowess, had made lending to California home buyers or Florida credit-card holders almost risk-free.

The securitization markets quietly started to close down in the spring of 2007, after sinking home values and rising loan losses proved how fragile their financial engineers' assumptions had been. They seized up utterly 18 months later, in the autumn of 2008, and global investors now won't lend money through them at any price. More than a third of our private credit markets, then, are gone.

"More than a third of our private credit markets are gone. The government is working desperately to replace them."

Now the government is working desperately to figure out a way to replace them. Without access to easy borrowing, workers can't buy cars. Farmers can't plant crops. Toy importers can't pay their Chinese factory suppliers, meaning that the factories can't pay their workers. "The long-term objective should be sober and modest rates of growth of money and credit, not the double-digit growth rates . . . experienced in recent years," says John Greenwood, chief economist at the Invesco fund-management company in London. "Meantime, it is equally important to prevent an absolute shrinkage of money and credit, as this would only exacerbate the economic downturn."

The economy saw a measure of how a financial shock becomes an economic shock in November, when the nation lost more than half a million jobs, the most monthly hemorrhaging in over three decades. The grim news showed how swiftly Depression-level demand drop-off can arrive. Every class of employer, from domestic and foreign automakers to global steel producers to diamond retailers, began to announce double-digit-percentage sales declines from last year. Even the banks—fearful of other banks' losses on everything from home mortgages to credit cards—stopped lending to one another. Double-digit-percentage production freezes and layoffs accompanied the death of demand, with storage lots at California's biggest port filled with thousands of foreign-made cars because the dealers' lots were too crowded to hold any more.

In trying to stanch the bleeding of credit out of the economy and get someone to buy all those orphaned cars, the Fed and the U.S. Treasury are using a particular handbook: "The Great Contraction," part of Milton Friedman's and Anna Jacobson Schwartz's lengthy *A Monetary History of the United States, 1867–1960*. Friedman and Schwartz compiled reams of data and historical documents to illustrate a simple thesis: the catastrophe of the Depression wasn't the natural hangover of the late 1920s speculative excesses, as many believed (and still believe), but the result of the inaction of the Federal Reserve during the early 1930s.

The Fed dithered as banks failed. A first wave went insolvent after lending money against speculative instruments like stocks whose values had plummeted. These failures cascaded, though, when frightened depositors, back then without any FDIC-style government guarantee of their savings, rushed to withdraw their money. The panic spread further. Even relatively healthy banks began to fear that they'd be the next to face a run and started to sell off all non-cash assets, like stocks and bonds, so they'd have money on hand in case of depositor panic. This forced selling drove down the prices of those investments, pushing more banks over the brink and causing yet more dread. As the banks failed, of course, credit dried up. As frantic depositors removed physical dollars, they also took with them, invisibly, all the money that belonged

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to other savers who didn't get there as quickly, as well as potential credit that banks might have lent to borrowers.

A dismal cycle emerged. The shrinking supply of money and credit, plus falling asset values exacerbated by the banks' forced selling, dragged prices down. Falling prices made it even harder for borrowers to pay back their existing loans, since the amount of the loan stayed steady while the value of the asset that the loan had paid for, and often the borrower's income, was declining. So more banks failed. And because the prices of goods fell faster than wages, people lost their jobs as employers slashed costs to keep ahead.

The Fed, Friedman and Schwartz argued, should have asked the Treasury to print up new money and then lent it generously to the banks, so that they would resume lending and borrowing; reinflation, price recovery, and economic recovery would have followed—much sooner than they ultimately did. "Throughout the contraction, the [Fed] had ample powers to cut short the tragic process of monetary deflation and banking collapse," Friedman and Schwartz wrote. "Had it used those powers . . . in late 1930 or even in early or mid-1931, the successive liquidity crises that are . . . the distinctive feature of the [Depression] could almost certainly have been prevented. . . . Moreover, the policies required to prevent the decline in the quantity of money and to ease the banking difficulties did not involve radical innovations."

In 2002, Ben Bernanke, then a member of the Fed's board of governors, spoke at a party to honor Friedman's 90th birthday. Noting that he had first read "The Great Contraction" as a grad student at MIT, Bernanke observed: "I would like to say to Milton and Anna, regarding the Great Depression: You're right. We did it. We're very sorry. But thanks to you, we won't do it again."

Say this for Bernanke, now the Fed's chairman: he wasn't kidding! Six years after his speech, Bernanke's Federal Reserve, in concert with the Treasury Department, has launched a full-throttle effort to flood the dried-up economy with money and credit and to prevent millions more jobs from disappearing in the current contraction. Part of this effort involves aggressively expanding the money supply using the familiar set of tools. The Fed has slashed the interest rate at which it lends to banks so that those banks, in turn, can borrow and lend more dollars. It has also deluged the economy with money by buying bonds: stocks of money in checking and savings accounts are now way up. The Fed has sloshed the economy with enough money that banks should theoretically lend to one another at a zero percent interest rate. These actions carry the grave risk of runaway inflation, but they aren't unorthodox.

But the Fed doesn't think that these old-fashioned methods are enough on their own to jumpstart today's private credit markets. It can create the money, but the private infrastructure to get it where it needs to go to grease the economy—those securitization markets—no longer exists. The Fed thus finds itself stuck in a vicious loop: it can pump out money and cheap credit, but the banks, scared stiff by the poor decisions they've recently made in granting credit, will just lend it back to the government by buying safer Treasury bonds. One measure of how thoroughly the banks have abdicated their role in distributing credit is in Treasury bond yields. In December, investors accepted a *negative* interest rate from the government on one-month Treasury bills; they were willing to *pay* the government for the comfort of safety.

The Fed, of course, could just wait for its decisive traditional steps to have an impact. In fact, by mid-December, signs emerged that they would slowly work, with investors lending to the highest-quality companies, like Verizon Wireless, through simple financial structures. Eventually, banks and other global investors would grow tired of the tiny and even negative returns that the government has on offer and start to put their money to work by taking incrementally greater risks in the private markets again, step by painful step. The problem: nobody knows when "eventually" is or what newly "normal" levels of credit will be. "Eventually" could be two weeks away or five years, and the Fed doesn't want to find out. So the Fed and the Treasury are risking more than a trillion dollars to shortcut this

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process, particularly with two major "radical innovations," to quote Friedman and Schwartz.

The first concerns those old-fashioned credit providers, the banks. The banks' virtue is that their office towers and management teams, unlike the private securitization markets, still exist, even if their assets and lending abilities are shrinking fast. The Treasury announced last October that it would directly provide $250 billion to commercial banks, effectively replacing the private shareholders who once provided this "seed money" as a base for the banks' lending. Under the Treasury's plan, $125 billion went to the nation's nine largest banks—JPMorgan Chase, Bank of America, and Citigroup among them—whether they wanted it or not, and the rest will go to hundreds of smaller banks upon application and approval. The government added that the FDIC would guarantee commercial and investment banks' new debt for three years, so that potential private lenders could provide banks with money to finance new loans without worrying that they would lose it.

But this extraordinary action actually points up the government's limitations. Banks are hoarding much of their new government capital against *future* losses, rather than using it to make

Price-Fixing Begins at Home

As *City Journal* went to press, the Federal Reserve and the Treasury Department were mulling over a plan that would obliterate all market signals from the mortgage industry. The plan demonstrates once again Washington's perverse belief that the cure for decades' worth of government distortion of the housing market is *more* government distortion.

Normally, Washington doesn't directly control mortgage rates. Yes, the Fed helps control general interest rates for all kinds of borrowing through its interest-rate policies. And the government's long-assumed guarantee of mortgage behemoths Fannie Mae and Freddie Mac—until it quasi-nationalized the two companies last summer—also kept mortgage rates lower than they would otherwise have been for decades.

But now, the government may take a giant step further. The Fed and the Treasury may set home-borrowing rates in the next few months by purchasing mortgages directly from Fannie Mae and Freddie Mac, and from other mortgage lenders, at a fixed price that would dictate an interest rate of 4.5 percent for new home buyers, as well as, possibly, for owners of existing homes who want to refinance their more expensive loans. After news of the tentative plan got out in December, mortgage rates plummeted to just above 5 percent, the lowest level in four decades.

The government's reasoning is obvious, if wrongheaded. It wants to keep housing prices from falling further, which would drive homeowners into foreclosure and push banks and investors into deeper distress. To achieve this, the government has to scare up new home buyers, many of whom feel skeptical that prices have hit bottom. So the feds hope to lure buyers with dirt-cheap mortgages, just as they were priced during the housing bubble. The gambit could work—for a while. But in the long run, the federal plan will just make things worse.

Consider the downsides. First, the feds will further warp the housing market. Part of the reason that we're in this mess is that government policies—from zero percent capital-gains taxes on house appreciation to mortgage-interest tax deductions to support of Fannie and Freddie—long encouraged borrowers and lenders to pour money into houses at the expense of more productive forms of investment. Making easy lending available solely for buying still-expensive houses adds yet another layer of capital deformation. It would be something like trying to reinflate the nineties' tech bubble by offering cheap government financing only to people willing to buy shares in Pets.com. This time around, such a distortion could delay

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new loans. This behavior isn't irrational, as many government officials seem to think—among them House Financial Services Committee chairman Barney Frank, who has chastised the banks for their reluctance to lend. The banks just aren't sure how many existing borrowers—from credit-card holders to big corporations—are going to default, and they're also unsure whether there's more federal money on tap if borrowers keep defaulting in large numbers. Banks also want to hoard capital because their private investors—those few left—want them to. It's unlikely that the market will look favorably any time soon on banks that lend as aggressively as they did a few years ago.

Moreover, borrowers aren't as interested in taking out loans, cutting demand for credit even as the supply dries up. It's no surprise that they're balking. Consumer debt, including mortgage debt, more than doubled between 1999 and 2007, largely based on unsustainable increases in home and other asset prices. With home prices plummeting, consumers who had depended on constant refinancings to take cash out of their homes simply can't do it any more. As for businesses, they didn't swell their own debt by quite so much during those years, but consumer borrowing often drove their growth. Customers used money, often borrowed from their homes, to purchase goods and services, from home

recovery by directing capital away from where it could do the most economic good and toward yet more investment in houses.

The government may only be delaying an inevitable full correction of housing prices, moreover, since it can't determine mortgage rates forever. Remember, the government can "fix" rates by purchasing mortgages at a preset price, by bringing potentially hundreds of billions of dollars in mortgages onto either the Fed's or the Treasury's books, or both. But the Fed and the Treasury can't warehouse these mortgages on their books forever. Eventually, the market will figure out that the government's mortgage holdings are untenable, and it will push up interest rates on them as it anticipates their being dumped. (On debt instruments, when prices go down, as they would in a government sell-off, interest rates go up.) The consequence of such a sudden spike in mortgage rates might well be another big drop in home prices. Could the government engineer a "soft landing" here, carefully managing its sales of mortgages? Sure: it did a great job of engineering a cushioned fall when the housing bubble first burst, remember?

The government's aggressive action also could delay another inevitable process: "de-leveraging," or debt reduction. Mathematically, Americans simply cannot afford the debt they've incurred over the past decade or so, and they must reduce it. Encouraging them to borrow *more* money is a very bad idea.

Finally, the government's cheap and easy mortgages could come with a hidden cost, just as all those exotic mortgages from the bubble era did. Washington's plan assumes that the Treasury itself can borrow cheaply—that is, for less than the 4.5 percent of these mortgages—for as long as it takes to push these cheap loans. As the government adds its massive new debt to the private sector's own debt, however, the global markets upon which we depend for all this borrowing may grow queasy. They may figure out, eventually, that America is a democracy of debtors—and that the crudest way for a debtor nation to pay back lots of debt is to print more dollars, thus creating massive inflation.

Just the fear of inflation could push Treasury rates up suddenly, giving the feds no reasonable economic choice but to end their cheap-mortgage program. Of course, politics might allow them to continue it for a while. But the unavoidable result would put us right back where we started, with still-distorted home prices and even higher levels of debt.

—Nicole Gelinas

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renovations to plastic surgery. As two bankers in Los Angeles noted recently, small businesses can hardly increase their borrowing when the revenues against which they're borrowing are down 20 to 30 percent.

"When will the household sector and nonfinancial corporate sector have the capacity to take on additional debt?" asks Invesco's Greenwood. "In cases that I have studied, such as the deleveraging in Japan after their bubble burst in 1990, or the non-Japan Asian economies after the Asian financial crisis of 1997–98, the de-leveraging process took many years, and the willingness of households and corporations to take on new debt was very limited in the aftermath of both crashes. During those years, banks' balance sheets grew only very slowly—in the low-single-digit percentages. The U.S. is likely to experience the same repugnance for debt going forward."

It's not just a lack of capital and fear of future losses that are keeping banks from stepping up and replacing the vanished securitization markets as the economy's credit creators, however. Banks simply don't remember how to *be* banks—that is, long-term direct lenders to customers—any more, since the securitization markets have done that job for so long.

For the past decade, banks haven't served as credit analysts, carefully assessing the capacity of people and institutions to repay debt based on judgments about personal and corporate income and character and future economic growth. Banks instead served as financial engineers, making securities to sell, not loans to keep. Now that the securitization markets have dried up, what the government is asking the banks to do is like asking a hospital that delivers a newborn baby to raise him until he's 18 years old. But nobody in the private markets trusts the big banks suddenly to become excellent analysts of credit prospects. And even if the banks do their best at the assignment, nobody has any real idea, after a decade of almost unimaginable credit distortion, of how much credit the economy can reasonably support.

If they're going to become long-term lenders again instead of short-term "securitizers," even relatively healthy big banks will need a quiet period to make the huge changes necessary for their new role. The government is asking too much in wanting them to circumvent this process and just start lending—and lending even more than they did back before the securitization markets replaced them.

The government's first great innovation—force-feeding capital to banks to try to get them lending—could harm the economy even after it has recovered. By focusing on the biggest banks, the government is worsening the very problem that helped get us into this mess: the growth of overly complex, too-big-to-fail financial giants.

Of course, big banks *have* been immensely useful to the economy over the past few decades. It was their capital—and the innovation that they bought with it—that gave customers the modern banking conveniences that they enjoy today, including online bill-paying and ATMs. Gone are the days when you had to rush to the bank by 3 PM on Friday or wind up without cash for the weekend. For a long time, big banks drove small banks to improve their services.

But the economy is on its knees today partly because these banks grew so big and so complex that even their boards of directors—to say nothing of their investors—became ignorant of the risks that their institutions were taking on. The most reckless big banks also succumbed to a herd mentality: they employed similar consultants and MBAs who pursued the same massive bets—that the housing market would never falter, for example. And when credit started crunching and these banks got stuck with securitized loans that they couldn't sell, the government, reasoning that the banks' sudden failures would have been catastrophic for an already hurting economy, didn't want to let them go out of business, as smaller failed banks do. Ignoring the long-term implications, it stepped in to save them.

Now, the government has encouraged the big banks to use their new, government-provided capital to gobble up smaller banks. Because of last year's flurry of bank mergers, the nation's top four banks now hold 36.2 percent of deposits in the country, up from 24.8 percent in

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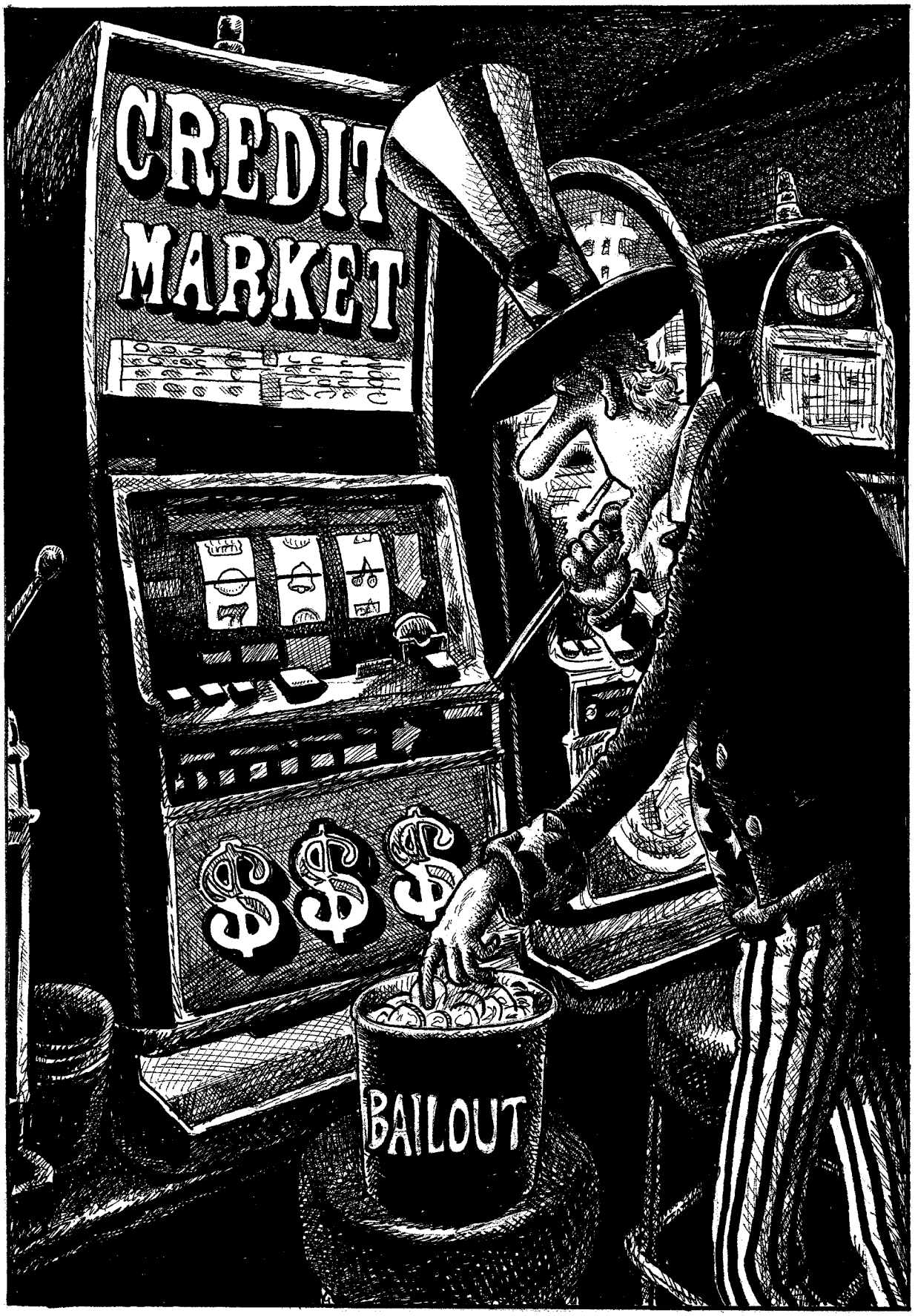

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2007, according to SNL Financial. We thus may be setting up the next bubble-fueled crisis as we speak—and this time, it may be too big to recover from.

Big, government-guaranteed banks aren't just risks in themselves. They crowd out smaller, healthy banks, hurting the diversification of the financial system that's important even when we're not in a financial crisis. As Congress creates new rules to protect us from the next crisis, small banks will have a harder time than big ones coping with rising regulatory costs. And as the big banks get bigger, they'll have more pricing and lending power over consumers on everything from credit-card fees to savings-account interest rates. This concentrated pricing power, in the absence of real competition, will spur even more government regulation, often driven by the big banks' lobbying clout, and even higher costs for smaller banks. "It infuriates me that they can go out and fleece more people," says Bill Wyckoff, CEO of the tiny 12-branch Labette Bank in Kansas.

Worst of all, the government's propping up of yesterday's banking giants may inhibit a natural market correction—one our economy needs so that we can maintain our global competitiveness in financial services. In any industry, when a giant stumbles, a smaller company inevitably rises to take its place—whether it's Microsoft after IBM faltered or Google after Microsoft stumbled. Without artificial government support for the gigantic legacy banks, healthy, smaller banks could become the next kings. Banks like Wyckoff's, for example, didn't go in for the subprime mortgages sold by "snake-oil salesmen" partly because "I have a moral obligation to 92, 94 families" of employees "not to do something stupid," he says. Such banks could use their healthy positions to increase credit to customers, possibly helping the economic recovery in a subtler manner than the clumsy government can do. Indeed, while Wyckoff's bank is privately held, so official data aren't available, he says that he's making loans just like last year. Many other small, healthy banks are doing the same: the First National Bank of Orwell in Vermont told the *New York Times* in October that its lending was up nearly 23 percent from a year earlier.

Smaller banks could also drive the next generation of financial-services innovation. Yes, in the past, we got such innovation from today's big, brand-name banks. But today, with their government support—and whatever favors to the government are implied in return—the legacy banks may become more like public utilities than entrepreneurial centers. Ask yourself: How much innovation have you seen from Con Edison lately?

The government hasn't confined its furious credit-creation efforts to the banks. Realizing that banks simply can't take over the entire credit-making function that the securitization markets once held, the Fed and the Treasury are now implementing a second radical innovation: devoting hundreds of billions of dollars to replace directly the vanished investors in those markets. Here, too, the government is taking a big risk with recovery and with the future of the economy.

The government's thinking is that it can create a synthetic, government-guaranteed version of the intricate infrastructure that was the private securitization markets. Before they broke down, the markets worked as follows: some investors, desiring a high return, would take on high risk—agreeing to assume disproportionate losses if borrowers' defaults exceeded expectations; other investors, not seeking such high returns, would take less risk. Now, the government is preparing to play the part of the high-risk-taker, putting taxpayer money up to entice private investors, including hedge funds, to return to the supposedly safer parts of securitization markets.

But the government could be retarding recovery. The securitization model failed utterly, after all. Private investors will no longer invest in these financial instruments for good reason: they don't trust the financial engineering behind them. It requires a suspension of disbelief to think that the government can fix this problem by replicating the same securitization model, even if it plays the role of biggest risk-taker. Instead, private-sector entrepreneurs—including, optimally, people who weren't involved in creating the securitizations that failed—must painstakingly come up with new models to replace the discredited

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ones and thus help get credit from lenders to borrowers. But the government may overwhelm such innovation by trying to replicate the old, broken model. It's similar to the government's bailing out GM at the expense of an upstart like Tesla Motors, which is hard at work building what it thinks are the American cars of the future. Trying to create capital, the government may end up starving good ideas, including good financial ideas, of capital.

The overriding danger with everything that the government is doing, though, is that there's no natural exit strategy. While the Depression showed that a precipitous drop in money and credit is horrible, that doesn't mean that risking severe inflation at a time of economic weakness, maintaining failed ideas, *and* breaking the national bank over some indeterminate amount of time to maintain an artificial level of credit is better. What if, say, five years from now, it turns out that we've spent not only time but trillions of dollars trying to maintain an unsustainable level of borrowing, and it all falls apart anyway—but with the government more deeply in hock and hyperinflation destroying confidence in the dollar?

Consider, too, the government's long history of distorting the private credit markets. A perfect example is Fannie Mae, whose predecessor was created by the government during the Depression to let Americans borrow money to buy houses. For seven decades, Fannie and its younger brother, Freddie—thanks to the cheap funding that came from their implied government guarantee—made sure that private-sector banks were at a disadvantage in the important mortgage-creation business, helping push the banks into riskier activities. The feds could never wean themselves away from their politically powerful role as mortgage guarantors. Will they come to enjoy a new, even more powerful, role in the economy as general providers of what was once private credit?

Despite this bleak outlook, there's some cause for optimism. First, market forces do still exist, and so far, throughout the credit crisis, they've helped discipline the government into admitting reality. As far back as October 2007, the government tried to help the three largest banks hide their losses on bad securitized loans by creating a financial structure in which the banks would segregate the loans and insulate them from market fluctuations. It didn't, and couldn't, work; it only delayed the inevitable exposure of losses. And for more than a year now, despite the government's best efforts to pretend that all's well, private lenders have made their skepticism about lending any more money to debt-saturated Americans all too clear.

The markets, then, have been very good at realizing how rotten things are. So far, it's been a fool's errand to try to deceive them. In the end, if the economy doesn't recover quickly, it may be the markets that—by eventually insisting that the government pay prohibitively high interest rates to borrow—rein in the government from taking on too much debt. Of course, waiting for a global market verdict could be a dangerous game. We saw how harsh the markets were when they finally figured out the credit bubble and burst it.

Politics provides another cause for optimism. It's striking that the public, though whipped into financial panic, has consistently opposed bailouts—starting with the first ad-hoc plans to keep people in their unaffordable homes, continuing with Bush administration Treasury secretary Henry Paulson's "Troubled Asset Relief Plan," and ending, so far, with the December approval of federal money for the Big Three automakers. Indeed, says William Poole, former St. Louis Fed president and current Cato Institute senior fellow, the glimmer of hope in stopping other bailouts is "political constraint."

Taxpayers and the markets may understand something viscerally that monetary policymakers and elected officials do not. The real lesson of the Depression may be that there is no straightforward policy fix for such an enormous mess. As Lazard Frères partner Albert J. Hettinger, Jr., wrote in the original introduction to Friedman and Schwartz's masterpiece: "High-powered money, intelligently administered by a regulatory body, can, as the authors point out, accomplish much. It cannot accomplish the impossible." ▪

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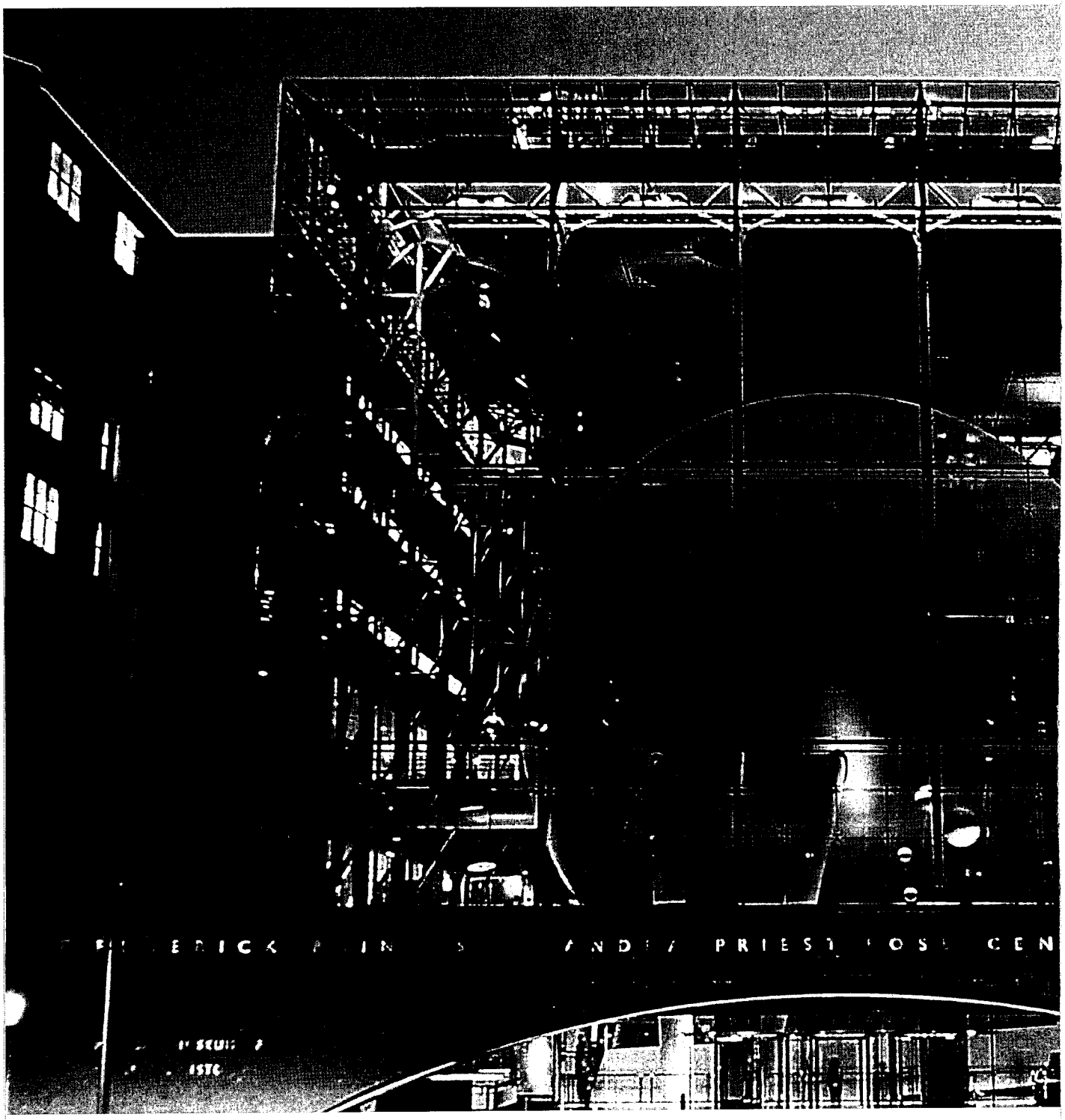
Never Enough Beauty, Never Enough Truth



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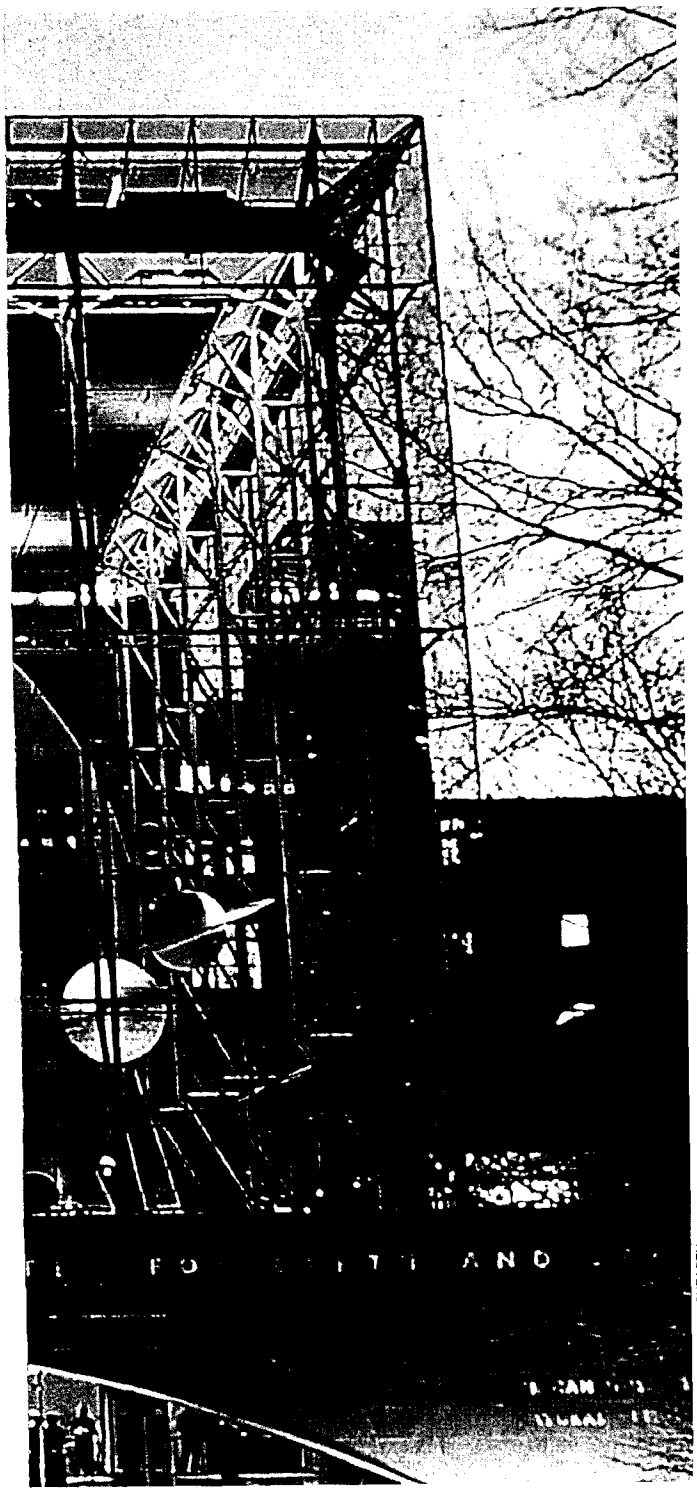
Philanthropists should do what they love, not surrender to identity politics.



REUTERS

Heather Mac Donald

American philanthropy is the envy of the world. Since colonial times, when Benjamin Franklin's Junto Society, a proto–think tank of public-minded Philadelphia citizens, developed volunteer fire departments and a lending library, Americans have evolved a unique civic culture of giving and entrepreneurial problem solving. From 1995 to 2002, charitable donations as a

Real diversity: in New York, philanthropy supports everything from the awe-inspiring Hayden Planetarium at the American Museum of Natural History . . .

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percentage of GDP were nearly six times higher in the United States than in France and 14 times higher than in Germany. In 2007, America's charitable giving amounted to $306 billion. No wonder that European universities and arts organizations look first to their American alumni and patrons for support when their government funding dries up.

Yet American generosity is under fire. A growing number of activists and politicians argue that foundations should meet diversity targets in their giving and on their staffs. If foundations fail to diversify "voluntarily," threaten the race, ethnicity, and gender enforcers, they risk legislation requiring them to do so. In other words, the diversity police, having helped bring on the subprime meltdown through mortgage-lending quotas, now want to fix philanthropy. And instead of rebuffing this power grab, the leaders in the field have rolled over and played dead.

The idea that foundations should view the world through the trivializing lens of identity politics dates back to the 1980s, when some liberal foundations, including the Ford Foundation, started asking groups seeking grants to report the race and sex of their staff and board members. But today, politicians are getting into the act. This latest diversity push began in 2005, when the Greenlining Institute, a "multiethnic advocacy group" in Berkeley, started pumping out studies claiming that foundations were ignoring "communities of color." (This despite the fact that in California, 39 percent of large foundations' grants primarily benefit minorities, according to the Foundation Center, a respected research body.) Greenlining's definition of *helping* a community of color: bestowing foundation grants on a nonprofit whose staff and board are at least 50 percent minority. In other words, the Greenlining effort is purely a jobs racket. The racial composition of a nonprofit's staff and board has exactly zero relation to whether it is actually helping minorities. Agronomists supported by the Rockefeller and Ford Foundations helped wipe out famine in Southeast Asia by developing high-yield cereal crops; pressure to diversify their labs would have hindered their research, not advanced it.

Greenlining went on to claim that big foundations were devoting only about 5 percent of their assets to the "minority-led" nonprofits—the implication being that 5 percent was shockingly low. But no one knows how many nonprofits meet Greenlining's test of being minority-led. A 5 percent donation rate may actually overrepresent the number of nonprofits with 50-percent-minority boards and staffs.

Nevertheless, Greenlining's crusade leaped into the political arena. The California Assembly passed a bill in January 2008 that would have required all California foundations with assets of over $250 million to report not just the race and sex of their grantees' board and staff members, but the race and sex of their *own* board and staff members as well. Note again the patent shakedown effort. The racial and sexual composition of a foundation is also irrelevant to whether it is helping minorities—except, of course, for those quota hires who end up in cushy foundation jobs. In the late 1920s, Julius Rosenwald, an early president of Sears, Roebuck, used his foundation to build 5,000 schools for rural blacks in the South, somehow managing to do so without a 50-percent-minority board.

Connoisseurs of identity politics are probably wondering: But what about the lesbian, gay, bisexual, and transgendered (LGBT) community? Though gays occupy some of the highest income brackets in the country, the diversity enforcers have not forgotten them. The original California Assembly bill would have required foundations to itemize their staffs' and boards' sexual preferences; the final bill, however, required only that foundations out the staffs and boards of their grantees. Apparently, sexual privacy is fine for me but not for thee. Sexual orientation *within* foundations has since roared back as an imperative of the national diversity campaign, however.

The legislation was steaming its way through the California Senate when California's ten largest foundations promised to pump hundreds of millions of dollars into minority-led

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nonprofits in exchange for the bill's withdrawal. But the fuse had been lit. Similar diversity efforts have been spotted in various stages of development in Florida, Illinois, Michigan, New York, New Jersey, Texas, and Pennsylvania. And at the federal level, Xavier Becerra, a congressman from Los Angeles who serves on the powerful House Ways and Means committee, has warned foundations: "If you don't police your own, you're going to be policed." A foundation that remains colorblind in giving and hiring is suspect, even criminal, in other words. The congressman has threatened government intervention if foundations don't spend more on minorities and the poor; if he pushes on Capitol Hill for diversity mandates, he will likely count as allies his House Ways and Means colleagues Charles Rangel, John Conyers, and John Lewis.

"If foundations fail to diversify 'voluntarily,' threaten advocates, they risk legislation requiring them to do so."

Becerra argues that foundations' assets, because they are tax-exempt, are virtually public money. Foundations are simply private managers of those public funds, in this view, and should be responsive to political pressure. Until now, Congress has required only that tax-deductible dollars go to educational, charitable, scientific, or religious purposes. Becerra, the Greenlining Institute, and other diversity advocates seek to constrict donors' discretion in their charitable giving to supporting minority-run (or female- or LGBT-run) organizations or those that purport to serve the poor. But rather than rewriting the tax code to limit the tax deduction to these purposes, they have chosen a politically easier strategy: strong-arming foundations through the diversity-reporting requirements. These public-disclosure mandates put extra-legal pressure on foundations to obey the advocates' definition of charity. Given how politically correct the philanthropic sector already is, foundations that do not have enough blacks on their boards or in their list of grants will rightly fear stigma. If stigma doesn't work, Becerra has signaled his willingness to take on the tax code itself.

The current economic downturn makes the prospect of shaking down foundations even more alluring. Federal and state governments, increasingly deprived of tax revenue, will likely cut back on their payments to nonprofits. Meanwhile, foundations made $43 billion in grants in 2007. As the Greenlining Institute put it: "Just beyond the desert [of government funding] there is a rainforest flowing with philanthropic dollars."

What has been the foundation sector's response to this assault on philanthropic freedom? Total collapse. Its spokesmen have embraced the two false premises of the diversity movement: that the skin color and sexual profile of foundation and nonprofit personnel are meaningful performance indicators, and that philanthropic enterprises can be pigeonholed as benefiting this or that particular "diverse" group. Take Steve Gunderson, head of the Council on Foundations, the leading philanthropic lobbying organization. Gunderson's only disagreement with the diversity agenda is that, in his view, it should be driven from within the sector "voluntarily," rather than legislated from without.

Apart from that quibble, however, Gunderson is so committed to color-coding foundation personnel that he actually worries about the intergenerational wealth transfer expected as baby boomers retire in the coming decades. That wealth transfer, estimated in the trillions of dollars before the stock-market collapse, has the potential to create thousands of new foundations during or after the donors' lifetimes. So what's not to like? Well, it turns out that most of this new philanthropic capital will come from heartland America, meaning that the donors will be overwhelmingly white. Frets Gunderson: "We can make great strides in diversity, but if rural

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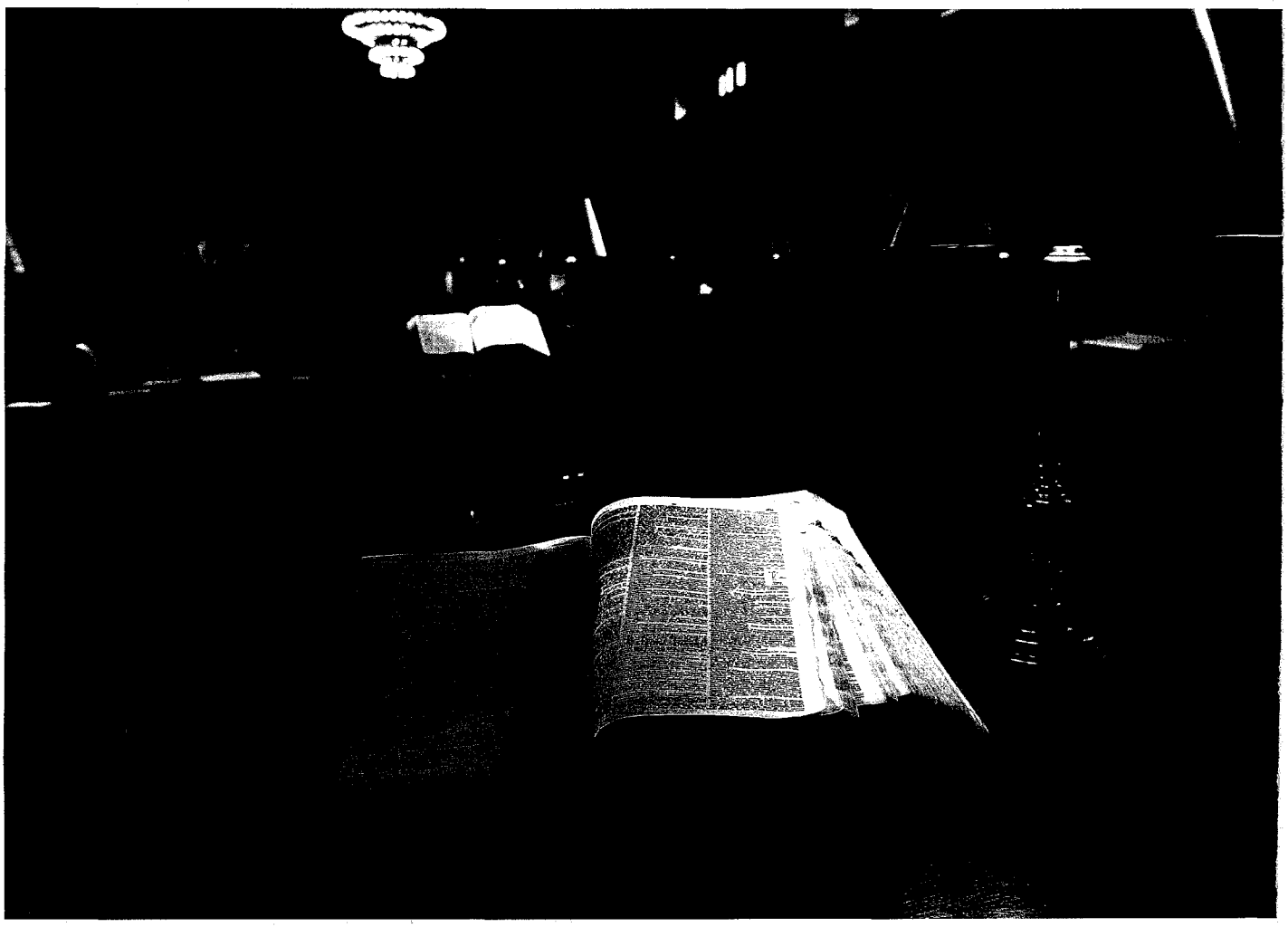

. . . to the New York Public Library's fabled reading room . . .

America transfers wealth into philanthropy, our data will be worse than today."

It's hard to get your mind around this. The foundation sector's leader actually sees a downside to potentially explosive foundation growth simply because the donors are the wrong color. Let's say that an entrepreneurial Nebraska family with a passion for astronomy wants to start a family foundation to support an observatory and to provide astronomy scholarships. This just won't do, in Gunderson's opinion. Never mind that race is irrelevant to the donors' passion for science, or that they would like to run their small foundation themselves, so as to foster family unity across generations. Gunderson suggests that such philanthropic families create an advisory council to "bring in different voices . . . that [will help them] address the hopes and aspirations within the broader community." Apparently, Gunderson shares the diversity advocates' view that philanthropists are beholden to the "broader community"—as defined by the advocates, of course—rather than being independent actors pursuing their own vision of the public good. Tell potential donors that they are merely agents of a politically defined interest group and

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that they must create sinecures to diversify their racial and sexual profile, however, and you will see foundation giving dry up.

The Council on Foundations is hardly the only mainstream institution to have ratified the diversity agenda. The Foundation Center is developing a survey instrument designed to test whether a foundation's "diversity" profile—race, gender, and sexual orientation—predicts "diversity" grant-making. The new, foundation-funded Diversity in Philanthropy Project is spending approximately $2.2 million promoting hiring quotas at foundations, in order to make diversity an "essential consideration in funders' day-to-day strategic decisions and actions." Just to put that number in perspective, it recently cost $1 million for the Genome Sequencing Center at Washington University to decode all the genes of a leukemia victim. Which enterprise is of greater value to humanity? The smart money is on the cancer research—but according to the Diversity in Philanthropy Project, if the genome lab didn't contain underrepresented minorities, funders should have thought twice about supporting it.

"Here's what the foundations should have said: Are you kidding? You want diversity? *We* are it."

Here's what the foundations should have said when the diversity police first came knocking: Are you kidding? You want diversity? *We* are it.

Here is a tour, highly truncated, of Manhattan's philanthropic world. Within the radius of just a few blocks this past December 2, you could have learned about early-nineteenth-century New York at a perfectly preserved stone inn built by John Adams's daughter on what is now East 61st Street, then attended a debate on whether George W. Bush was the worst president in 50 years. If the debate made you ill, you could have consulted doctors working on the cutting edge of medical science at Rockefeller University, where the debate was located. A few blocks west, you could have further recuperated by basking in the human splendor of the Metropolitan Museum of Art or the natural splendor of Central Park.

Across the park, you could have looked into the universe at the American Museum of Natural History's planetarium. Fifteen blocks south, city children enrolled in the Metropolitan Opera's Urban Voices choral program might have been visiting Lincoln Center to see where their newfound music skills could lead them one day. If you continued traveling south to the glorious main reading room of the New York Public Library, you could have had books containing the riches of knowledge brought to you as though you were a Renaissance prince. At Trinity Church on Wall Street, where the Daughters of the American Revolution lovingly maintain fresh flags at the gravesites of Revolutionary soldiers, you could have honored the sacrifices made by our forebears. And across the harbor, at Ellis Island's newly restored museum, you could have traced the path of America's striving immigrants.

Those are just a small fraction of the *physical* institutions that philanthropy supports in New York. Less visible is the variegated intellectual work in the city underwritten by donors, all part of the thriving battle of ideas that contributes to American dynamism. The Open Society Institute argues, among other things, for shortening prison sentences and overturning detention policies in the war on terror, while the Manhattan Institute, *City Journal*'s publisher, promotes free markets and seeks to restore humanistic learning on college campuses. *The New Criterion* defends intellectual and artistic standards against mountebanks and poseurs, while scholars supported by the Gilder Lehrman Institute of American History research slave narratives and trace the origins of America's commercial culture.

Now, which of these institutions is not "minority-serving"? Does the Greenlining Institute dare to say that only white people benefit from the expansion of knowledge, the cultivation of

SPENCER PLATT/GETTY IMAGES

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beauty, and the careful preservation of the past? The Council on Foundations should advise donors, when the diversity bean-counting forms arrive in the mail, to catalog every grant thus: "minority-serving," whether it supports an exhibition of John Singer Sargent's Venice watercolors or the study of kidney disease. The diversity mongers apparently know in advance that a child from Harlem could not possibly have his life changed by an encounter with J. S. Bach or pictures from the Hubble telescope. They would hive minorities and the poor off from the rest of humanity and declare that philanthropic endeavors open to the whole of mankind have no relevance to these putative victim groups.

The Greenliners' response is predictable: "Oh, come on. We know what a program for minorities looks like, and support for scholarship and beauty"—or what the Greenlining Institute calls "pet causes that serve the wealthy and elite"—"is not it."

Oh, really? If the diversity monitors have so keen a sense for what helps minorities and the poor, why have they been completely blind to the most powerful nonprofit program for poverty-stricken New York neighborhoods in the city's history? Some 14,000 New Yorkers—mostly poor, mostly black and Hispanic—are alive today who would have been killed had New York's homicide rate remained at its 1993 level. That homicide rate dropped 70 percent over the next decade, thanks to a revolution in policing begun under New York Police Commissioner William Bratton and Mayor Rudolph Giuliani.

Yet as philanthropy was underwriting the intellectual groundwork for that revolution, the Greenliners would have seen only a bunch of white people playing with ideas. In 1979, Nathan Glazer argued in *The Public Interest* that a city's inability to control minor crimes like graffiti undermined citizen confidence in urban government. George Kelling and James Q. Wilson expanded on that idea three years later in a

What Helps Fight Poverty?

Showing the usual market instinct of advocates and politicians, the quota cops seek to force charitable dollars into the least effective form of philanthropy. When not promoting a racial spoils system, the Greenlining Institute and ideological allies such as the National Committee for Responsive Philanthropy browbeat donors about their alleged failure to give money to the poor. Conventional antipoverty work is underfunded, they say. To the contrary, almost a third of all charitable donations go to traditional antipoverty groups. The problem lies not in the input, but rather the output: few, if any, of those organizations have shown results. This May, for example, the United Way's president acknowledged that its social-services programs had produced no measurable positive impact, despite millions in investments.

Many of these standard antipoverty efforts fail because they are blind to the behavioral aspect of poverty; they treat the multigenerational poor as victims of unjust forces rather than as agents of their own fates. But even if a program aims directly to change individual behavior, it, too, faces long odds. Capitalism is unmatched as a force of social transformation because business success depends on appealing to people's desires and wants. The washing machine probably did as much for women's liberation in the past century as a thousand National Organizations for Women ever could. Persuading someone to do his homework, stay away from gangs and drugs, or exercise sexual restraint, on the other hand, may require selling him on behavior contrary to his own inclinations. Even conservative social programs have had a hard time altering people's choices. Welfare reform nudged millions of single mothers into the workforce, but it has had almost no effect on illegitimacy rates—the second of its two goals. Reviving the marriage norm among the poor is *the* prerequisite to decreasing poverty, but no one knows how to do it.

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now-famous article in *The Atlantic Monthly* urging police departments to return to their traditional role of maintaining public order, what Kelling and Wilson called Broken Windows policing. The *Atlantic* article also criticized the then-dominant policing model, in which officers in patrol cars merely responded to crime incidents broadcast over their radios. Kelling had begun to question that dominant policing paradigm in his own foundation-funded research in the 1970s and early 1980s.

Broken Windows policing became a regular topic at a series of discussions on policing from 1985 to 1992 at the Kennedy School of Government, attended by Kelling and by Bratton, then head of Boston's Metropolitan Police. The so-called Executive Sessions, funded by the Mott Foundation and the National Institute of Justice, created the impetus for Bratton himself to rethink the reactive policing model. Earlier Ford and Mott Foundation demonstration projects in assertive policing also informed discussions at the Executive Sessions.

The public-order idea was already entering the urban arena in the 1980s through business improvement districts, as Kelling describes in a forthcoming paper. In the early 1990s, mayoral candidate Rudolph Giuliani learned at the Manhattan Institute how public squalor and petty crime had contributed to the decline of New York City. The Broken Windows concept reached its fullest expression in the New York Police Department after Giuliani won office in 1993 and appointed Bratton his police commissioner. Bratton combined the concept with everything he had learned about aggressive, accountable policing to produce the longest, steepest drop in crime in the nation's history.

No one could have foreseen what the ultimate outcome of the ideas leading up to New York's crime conquest would be, not even the philanthropists who supported them. Yet that intellectual labor has done more for minority uplift than New York's multibillion-dollar social-services apparatus ever has—not just by saving lives but by creating the irreducible condition

It is better, of course, for private initiatives to address seemingly intractable social problems than for taxpayer-funded ones to make the attempt, given their likely failure. The grandiose rhetoric attached to social-uplift ventures may be laughable—"We're in the business of defeating poverty," Robin Hood Foundation founder Paul Tudor Jones has said—but perhaps such delusions of omnipotence are necessary to motivate benefactors over the long haul. Nevertheless, some humility regarding aims and methods is in order. You may be able to change what you don't understand, but not necessarily in the ways you were hoping for. A recent program to decrease domestic violence among Hispanic men ended up increasing the participants' rate of violence, because the men reinforced one another's norms. The Gates Foundation is giving women in Malawi their own secure banking accounts that their husbands can't access. A nice feminist idea, but does the Gates Foundation know how this intervention in a patriarchal society will play out? We will have to wait and see.

Philanthropists hoping to uplift the poor might study the philosophy of Andrew Carnegie: create institutions that will allow the strivers to better themselves by their own initiative. Children's programs should treat children as children, not as clients. Those youth organizations that have survived the test of time, such as the Boy Scouts and the Boys and Girls Clubs, understand children's need for heroism, aspiration, and wonder. There is no need to reinvent the wheel; those two programs deserve support and probably stand a better chance of helping children than more recent, "cutting-edge," and highly publicized efforts like the Harlem Children's Zone.

—Heather Mac Donald

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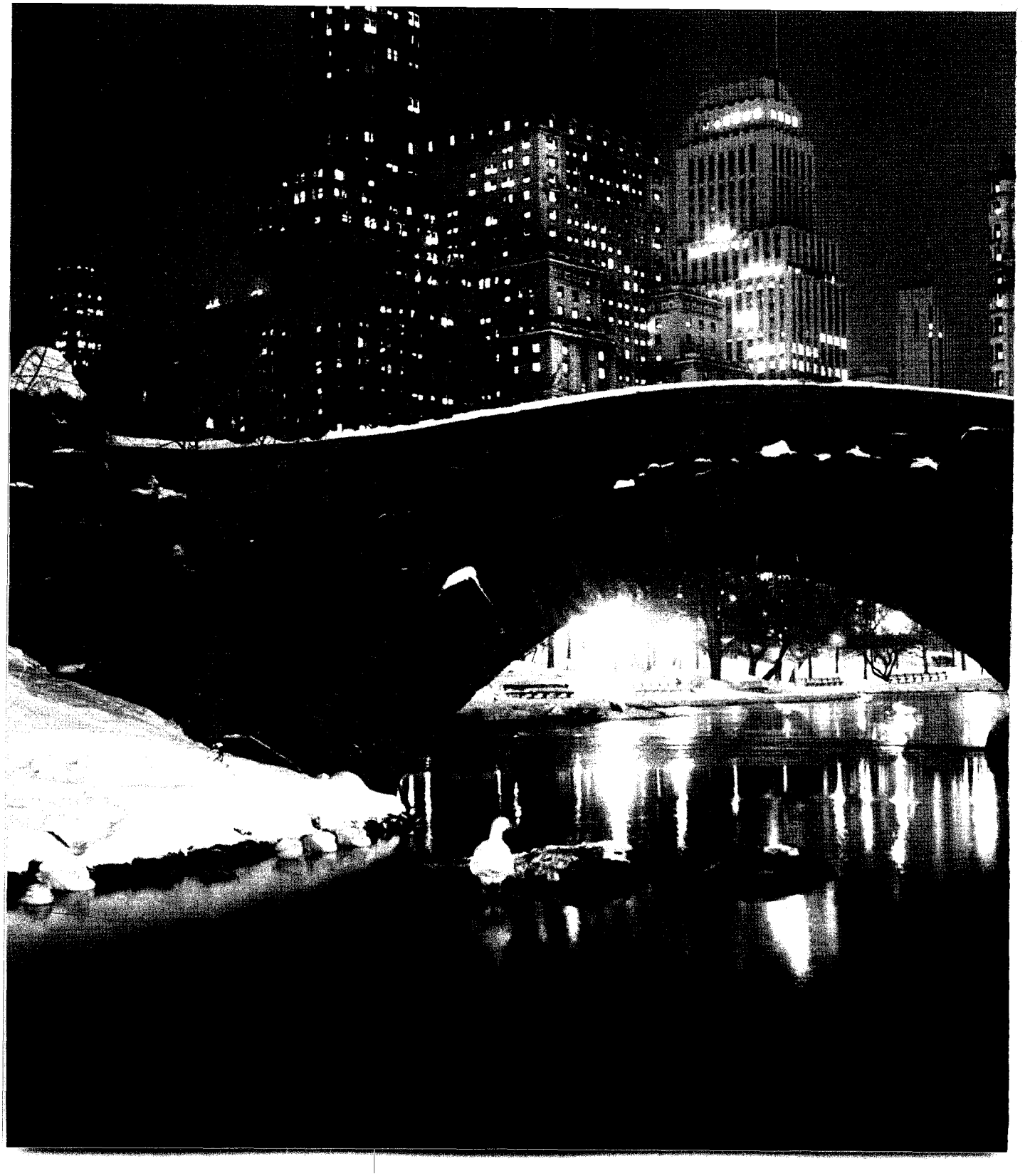
Never Enough Beauty, Never Enough Truth



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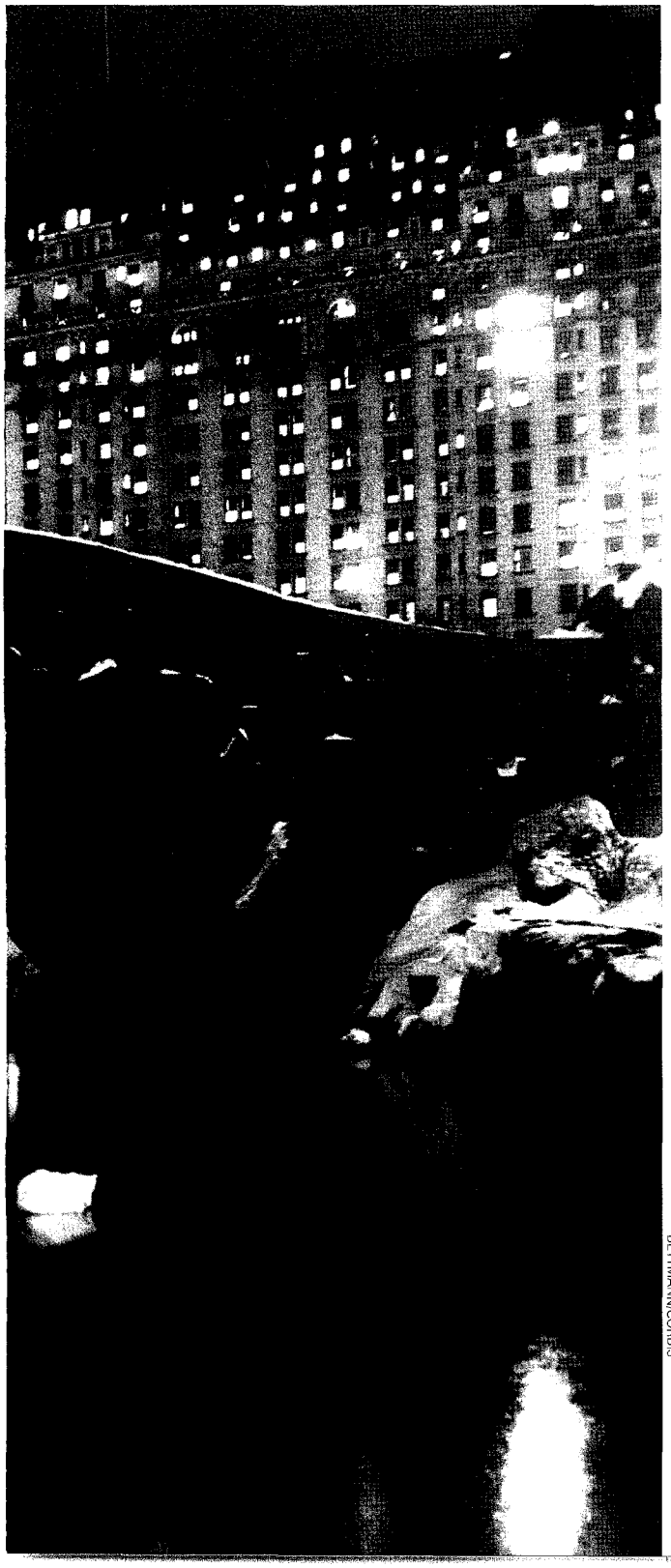

BETTMANN/CORBIS

. . . to the glories of Central Park.

for economic development in the inner city: public safety.

The diversity campaign is oblivious to the complex power of ideas in the world. Those who would direct philanthropy into preconceived channels think that they already know the answers to the world's problems and need only to appropriate the funding for those answers. But no one can predict how ideas will play out in practice or who will be their beneficiaries. The public good is best served by giving maximum freedom to the creative spirit.

I have searched for some neutral principle that would delimit the proper ends of philanthropy and have found only this: do what you love. If there is something that has inspired your passion, teach the rest of us to see its beauty, whether it's the unknown treasure trove of Vivaldi operas or the wild forms of Rococo silversmith Juste-Aurèle Meissonnier. Don't allow the self-appointed guardians of the poor to tell you that your enthusiasms are the artifacts of social and economic self-interest. They are not; they arise from Eros and the pursuit of the ideal.

The humblest object of devotion is as precious as the grandest ambition. The nineteenth-century stone inn that we visited on our philanthropic tour is maintained by the Colonial Dames of America, a group of women tracing their roots to the colonial period who support American scholarship and historical preservation. In 2001, Chapter XIII of the Dames restored the shutters on the oldest brick house in Kansas City. Would Xavier Becerra and the Greenlining Institute have the temerity to disparage this little act of love? Such attention to homely detail is what binds communities together.

If the diversity enforcers really believe that philanthropy should be color- or sex-coded, here's a suggestion: go out, earn some money yourself, and show the world how philanthropy should be done. And in the meantime, don't imply that the world has too much beauty and knowledge already. It doesn't. It can always use more.

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Welfare Reform, Phase Two

States are putting a new generation of recipients back to work. Will Obama get in the way?

Steven Malanga

In social-services jargon, Debra Autry had "multiple barriers to work" when the state of Ohio told her that she had to start earning her welfare benefits. Autry had been out of work and on public assistance for more than two decades, and she lacked many of the skills necessary for a modern economy. She was a single mother, too, like most welfare recipients, with three kids at home. Autry was skeptical about working in the private sector, so the state placed her in a publicly subsidized program that had her cleaning government offices in exchange for her benefits. Disliking the work, Autry landed a cashier's job at a local Revco drugstore, arranging her hours around her children's school day. After the CVS chain bought out Revco, she enrolled in the company's program to learn how to become a pharmacy technician and eventually began working in that position, which typically pays between $25 and $30 per hour. Autry's hard work inspired her children. Her daughter just earned a degree as a physical therapist, while one son is in college and another is working full-time. "I was on welfare because there were no jobs that interested me," she recalls. "But once I had to go back to work, I realized there's a future if you want to better yourself. It was the best decision I ever made."

Autry's story is the kind that reformers dreamed about back in 1996, when President Bill Clinton signed the federal Personal Responsibility and Work Opportunity Reconciliation Act, often referred to as the welfare-reform act. That legislation, drawing on earlier innovations in Wisconsin and New York City, time-limited aid and required some recipients to work, seeking to end the culture of long-term dependency that no-strings-

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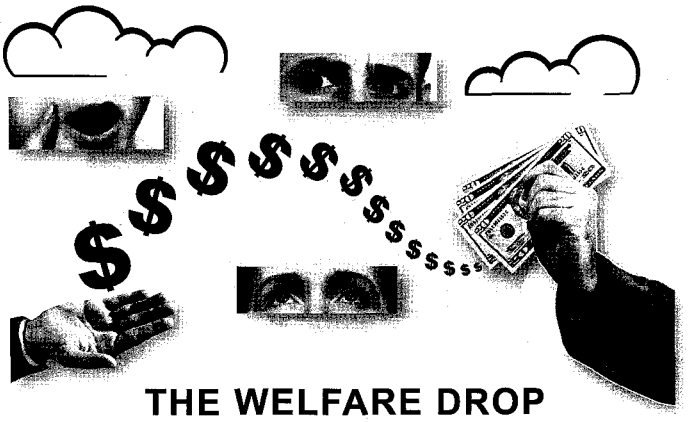
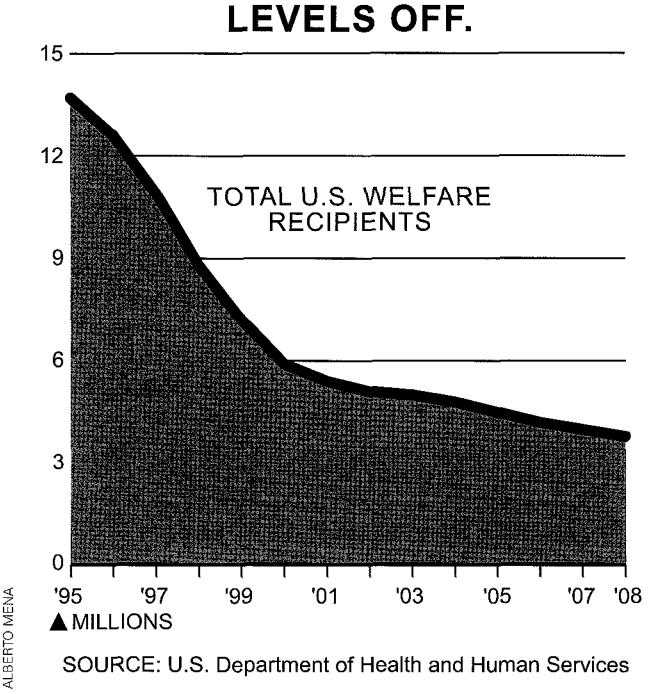
attached public assistance had helped foster. Autry's success story turned out to be one of many. Since 1996, welfare caseloads have plummeted by 70 percent—8.8 million people off the rolls, which today are down to 3.8 million.

In fact, during the first few years of welfare reform, the rolls fell so quickly that many state welfare agencies, which administer welfare for the federal government, stopped feeling pressure to move their remaining welfare clients back into the workforce. But since 2005, states have further reformed their welfare programs to comply with a controversial reauthorization of the 1996 legislation that required states to move even more people to work. This next, crucial phase of welfare reform could put an end to traditional cash welfare assistance in all but the most extreme cases.

That is, unless Democratic policymakers get in the way. Ominously, Democratic foes of welfare reform have gathered power both in Congress and in President Obama's cabinet.





ALBERTO MENA

SOURCE: U.S. Department of Health and Human Services

The 1996 welfare legislation gave states enormous flexibility in fulfilling its requirements, and many interpreted the law liberally. Some counted as "work" the hours that recipients spent in treatment for alcohol or drug addiction or in traveling to and from job-training sessions. Others let recipients satisfy work obligations by "helping a friend or relative with household tasks or errands," according to a 2005 Government Accountability Office study. Certain states allowed home exercise, "motivational reading," and antismoking classes to qualify recipients for aid, reasoning that such practices could at least lead to work.

Despite such laxity, 4 million welfare recipients left the rolls during the first two years after President Clinton signed the reform into law. Since many states previously had required virtually nothing of welfare clients, simply compelling them to meet with caseworkers to discuss work options was enough to propel many out the door to look for jobs. "Everyone underestimated the ability of single mothers to go back to work," says Grant Collins, former deputy director of the Office of Family Assistance in the Department of Health and Human Services (HHS).

The number of leavers was so big, in fact, that it all but eliminated many states' federal requirements to keep moving people off welfare.

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The legislation required states' work-participation rates—that is, the percentage of people on welfare who were working or searching for work—to be at least 50 percent. But states were allowed to diminish that fraction by whatever percentage their welfare rolls had shrunk since 1995. By 2002, welfare rolls nationwide had fallen so steeply that 33 states could meet their obligations with work-participation rates of less than 10 percent.

That undesirable situation led to a three-year battle to reauthorize and reenergize welfare reform. The result was the 2005 Budget Reconciliation Act, which changed the year from which states could calculate case reductions from 1995 to 2005, thereby ending the generous credit that most states enjoyed from their huge initial drop in welfare cases. Between 40 and 50 percent of states' adult welfare recipients now had to go back to work, search for a job, or otherwise prepare to work. The federal government also tightened the definition of what counts in fulfilling the work requirement: no longer would spending time in psychological counseling or in traveling to job training do the trick. And the feds urged states to enroll more welfare recipients with physical or mental disabilities in job-training and job-placement programs. "Individuals who happen to have disabilities should be afforded the same opportunities to engage in work—to find work-related training, work experience, and employment—as those who do not have a disability," the Bush administration's Department of Health and Human Services wrote in its new regulations.

Advocates and some pols charged that many of those remaining on welfare were too troubled for states to hit the demanding new work-participation targets. Urban League president Marc Morial complained that the bill would "subject families to harsher work requirements with inadequate funding" for social services to help them adjust. He scored the bill in particular for limiting how long someone could remain on welfare while pursuing a college degree. "We don't have many families left. Those remaining have multiple issues," objected the head of Welfare Advocates, a Maryland-based coalition of social-services agencies and churches. A 2002 Urban Institute study that found that 44 percent of welfare recipients faced two or more "barriers to work" became a frequent citation.

HHS had basically discounted such complaints in writing its new welfare regulations, in part because the critics were defining "barrier to work" too loosely. The Urban Institute study, for instance, considered the lack of a high school diploma, being out of the workforce for three or more years, and lack of English proficiency as obstacles to work, while other groups argued that being a single parent was a major barrier. A common demand was that welfare programs first provide day-care services for single parents or treatment for addicts before requiring any work. "I was at a White House conference in the mid-1990s in which someone observed that we couldn't require single mothers on welfare to go back to work until we had day care for all of them," recalls Peter Cove, cofounder of America Works, an employment service for welfare recipients. "I stood up and said that if we tried to solve every problem before asking people to work, we'd never get any recipient back in the workforce."

The 2005 bill wholly embraced this "work-first" philosophy. Work-first originally emerged as a welfare-reform model in the 1980s, adopted by Wisconsin governor Tommy Thompson; in the mid-nineties, Mayor Rudy Giuliani enthusiastically signed on in New York City. At its core, work-first maintains that the biggest obstacle that many welfare clients face to employment is their own lack of understanding of the fundamentals of any workplace—showing up for work regularly and on time, for instance. The best way to help such people isn't to put them in elaborate job-training programs, this approach holds, but simply to get them working—even in entry-level positions—under the careful supervision of a caseworker, who makes sure that they get up in the morning and out the door. Caseworkers will even help out with recipients' child-care emergencies or get alcoholic clients to continue in

COURTESY OF CVS

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Required to work for her welfare benefits, Debra Autry signed up for training at CVS and is now a well-paid pharmacy technician.

treatment—but all with the aim of keeping them on the job. "Many of the best therapeutic programs for people with problems like alcoholism don't think it's a good idea for people to stop working and go home and sit on a couch all day after counseling," says Tom Steinhauser, head of Virginia's welfare division. "Why should welfare programs treat people any different?"

A work-first approach has helped sustain deep reductions in New York City's welfare population, long after rolls stopped dropping in some states. By the time Rudy Giuliani left office in 2001, the city's welfare numbers had fallen from 1.1 million to 475,000, and they're down another 25 percent, to 339,000, under Mayor Michael Bloomberg, who has continued the reforms.

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Many of those who wind up on welfare today remain "work-ready," argues Robert Doar, commissioner of Gotham's Human Resources Administration (HRA), which is why the city has been able to place some 70,000 to 80,000 of them a year in jobs.

The "work-ready" population is evident at the crowded Manhattan offices of America Works, where I went to observe cofounder Lee Bowes address a new group enrolled in the organization's counseling and employment program. Every seat is taken, and even the windowsills are occupied. When one attendee asks why the classroom is so crowded, Bowes bluntly responds: It's because lots of people are looking for jobs. Asked by Bowes how she wound up on welfare, a single mother explains that her apartment building burned and that she and her children found themselves temporarily homeless. She then lost her job and went on public assistance; she says that she's ready, though, to get back to work. Is this the first agency that she has visited since going on welfare, Bowes wonders? The woman's answer elicits nods from the group: "I went somewhere where they treated me like I was in kindergarten. They asked me if I was ready to go back to work. I said yes—can you help me find a job? Then I heard that this place does that. So I'm here now."

Most of these welfare recipients will wind up in entry-level jobs. The average starting wage for someone coming off welfare in New York is just slightly above $9 an hour, according to the HRA. But with other assistance, like the federal and state earned income-tax credits, food stamps, and Medicaid, a recipient's actual annual income can rise well above $20,000—not enough for an extravagant lifestyle in New York, of course, but enough to allow her to get back on her feet and start down the road to independence. This aid menu is typical across the country, even if assistance levels vary. With the decline in welfare rolls, states now spend more on noncash assistance programs, like food stamps, than on welfare itself.

Many employers have tapped this labor pool because it has been hard for them to fill entry-level positions. New York City–sponsored job fairs for welfare recipients attract dozens of companies. America Works says that it has a reliable list of employers ready to hire welfare recipients for entry-level jobs. Even in an economic downturn, like the current one or the national recession that began in mid-2001, employers keep seeking entry-level workers because of the high turnover rate for these jobs. Welfare rolls didn't rise in New York City during the last recession, it's worth noting.

One of those eager entry-level employers is CVS, which has hired about 63,000 people off welfare nationwide over the last decade or so. Some 60 percent still work for the chain, an extraordinary statistic for an industry with high turnover. The typical former welfare recipient at CVS has had at least two promotions. Some, like Autry, have gone through training in CVS's pharmacy technician program; others have returned to school with the chain's help and earned pharmacist's degrees. One key to their success with former welfare recipients, CVS has learned, is to work closely with state agencies and their contractors, who'll lend a hand with the new hires for several months or longer to ease their transition to employment. "We learned early on that you just don't throw someone into a full-time job right away without some support," says Steve Wing, director of workforce initiatives at CVS. "We rely on the agencies to help these people adjust."

Many state agencies and advocacy groups have derided entry-level jobs in retailing or in service industries—the places where welfare recipients will most likely find work—as pointless, "dead-end" employment. It was this foolish and hoary objection, dating back to the welfare debates of the seventies, that for years thwarted efforts to get welfare recipients working. "We heard the line about dead-end jobs so often from people running welfare agencies that we drew up a poster showing the career opportunities for people at CVS who start by working as cashiers in stores," says Wing. "The stores are where a lot of our managerial employees start, but there's just a perception among those who run welfare programs that these entry-level jobs are not good enough."

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Under the revised welfare rules, however, states can no longer ignore such employers and their jobs, and more states are reshaping their programs along work-first lines. Over the last two years, for instance, 17 states have created more stringent contracts for local private agencies working with welfare recipients, requiring them to meet job-placement targets or risk penalties. Arizona has told its contractors that if the federal government penalizes the state for failing to meet work goals, the contractors must share in the punishment. Private groups must even prove when bidding for Arizona contracts that they have sufficient financial reserves to pay any fines. But the state will also give bonuses to agencies that perform job placement well.

"States are requiring welfare applicants to begin job searches or employment counseling much more quickly."

Several states have imposed stricter standards even on their own public agencies. In California, new legislation lets the state pass on to county welfare offices any financial penalties that it might incur for failing to meet the new federal regulations. County administrators also must file plans explaining how they intend to meet their new requirements, and county work-participation rates now get shared throughout the system, so everyone can see how each county is performing. Pennsylvania, which had a dismal 7 percent work-participation rate for its approximately 40,000 adult welfare recipients in 2005, not only has started grading each county program but publishes the entire list online.

States are also requiring welfare applicants to begin job searches or undergo employment counseling much more quickly than in the past. Eleven states have altered application procedures to include some kind of employment assessment for people when they first request welfare. New applicants in Delaware, for instance, must spend two weeks working with an employment and training counselor before receiving benefits. Missouri no longer considers a welfare application complete unless the applicant has met with an employment counselor and worked out a job-search plan.

In many states, welfare recipients once could keep getting benefits even when they refused to comply with work or vocational requirements, an enormous impediment to reform. Since the 2005 legislation, however, ten states that previously only partially reduced a welfare recipient's check for failing to participate in such programs have now moved to "full sanctions," that is, cutting off benefits completely. Other states, while not going as far, have implemented harsher penalties or are at least considering doing so.

Welfare programs are also launching more joint private-public training ventures, aimed at funneling recipients directly into jobs. Welfare and employment agencies in Atlanta, Baltimore, Cleveland, Detroit, and Washington, D.C. have tapped CVS, because of its previous experience hiring former welfare clients, to establish training centers—essentially, replicas of its stores—where recipients can prepare for full-time jobs at the chain. Hawaii has formed a similar partnership with local banks, resulting in more than 300 welfare recipients' getting placed in permanent jobs. New York City has joined with cable TV and phone companies to train welfare recipients as customer-service representatives.

Agencies are also taking a harder look at programs that try to get those who claim to have physical or mental barriers to work on the path toward employment. Sometimes this means encouraging them to begin part-time work or to undergo counseling to see what kind of training and work they might qualify for. "States are doing things that sound really simple, like having their own doctors assess those who claim they can't work," says Jason Turner, who designed Wisconsin's welfare-to-work programs

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and is now a Milwaukee-based consultant. "But you would be surprised how many states were merely accepting notes from a welfare recipient's doctor, excusing them from work."

One model is WeCare, which handles New York City's toughest cases. Welfare recipients who say they can't work are enrolled in this program, in which a city-employed doctor and a caseworker evaluate them. If the doctor decides that a person can work but has a condition—a bad back or asthma, say—that restricts the types of jobs he can do, the caseworker draws up a job-search plan based on those limitations. Welfare recipients not well enough to work immediately but not permanently disabled are put on a treatment regimen to get them healthier and employable. "If they are exempt from work, they must still participate in treatments and in vocational rehabilitation programs," says Michael Bosket, who heads WeCare. "Everyone does something."

Typically, about 6 percent of the recipients referred to WeCare are deemed employable and sent directly back to a caseworker to find a job; another 43 percent are found employable with limitations. "Many people who used to be considered having barriers to work really have barriers to certain kinds of jobs, but they shouldn't be exempt from work," says Cove. Of the nearly 24,000 people in the WeCare program last fall, about 3,000 worked or enrolled in approved work-participation programs, about 7,000 were undergoing treatment or vocational therapy, and some 8,500 had been judged permanently disabled by the city's doctors and directed to apply for federal disability benefits, which are separate from the welfare system. (The rest of the WeCare group was still undergoing evaluation.)

The new law gave states two years to comply, starting from mid-2006, when the feds issued the specific regulations outlining states' obligations. Many states, including Pennsylvania, Maryland, and Virginia, say that they've raised their work-participation rates substantially since then and are close to complying, though the feds have yet to issue a report on the states' progress.

Yet no one knows how Barack Obama's White House—which brings with it a whole new set of administrators at the Department of Health and Human Services under the new secretary, former Senate majority leader Tom Daschle—will carry out the law. As a senator, Daschle opposed the original 1996 welfare reform and then stalled its reauthorization from 2002 through his 2004 electoral defeat. Obama, meanwhile, turned down several opportunities during the presidential campaign to say whether he would have signed the welfare-reform act if he had been president in 1996; he preferred not to look back, he said, but forward. During the campaign, he did run ads crediting the 1997 Illinois law that he helped write—which brought the state's welfare system in line with federal changes—with Illinois' decline in welfare caseloads.

Congress's most powerful Democrats have also opposed welfare reform. Speaker of the House Nancy Pelosi voted against both the 1996 legislation (calling it "punitive and unrealistic") and the 2005 bill. Harry Reid, the current Senate majority leader, has used language strikingly similar to that of social-services advocates to criticize welfare reform. On its tenth anniversary, he declared that "many welfare recipients face significant barriers to employment" and that states need "flexibility" in aiding them.

At the very least, such statements suggest that a Reid-and-Pelosi-controlled Congress could unwind some key elements of the 2005 law, such as the restrictions on counting certain kinds of job training or substance-abuse counseling as work, when welfare reform again comes up for reauthorization in 2011. Such moves would almost certainly inflate work-participation rates artificially and blunt some of the effectiveness of the 2005 reforms. Whether Congress would attempt to go further, digging into the original 1996 legislation and curtailing some of its mandates, is hard to predict at this stage. But the fact that Obama and his new HHS secretary have hardly been enthusiastic in their support for welfare reform suggests that we may have to fight the battle for it all over again. ▨

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The Green-Jobs Engine That Can't

Inefficient eco-friendly technologies destroy more jobs than they create.

Max Schulz

During the 2008 presidential campaign, Barack Obama promised to transform America's energy economy by creating millions of "green jobs." Accepting his party's nomination at the Democratic convention in Denver, Obama proclaimed: "I'll invest $150 billion over the next decade in affordable, renewable sources of energy—wind power and solar power and the next generation of biofuels; an investment that will lead to new industries and 5 million new jobs that pay well and can't ever be outsourced." This new energy economy, Obama explained weeks later at the second presidential debate in Nashville, would be an "engine of economic growth" to rival the computer and one, moreover, that we could build "easily." Though he would have quibbled with Obama over details, Republican candidate John McCain similarly praised the virtues of creating millions of these environmentally friendly jobs, both as an answer to the nation's economic woes and as a way to reduce carbon emissions.

In a time of grave economic uncertainty, it's surely positive news that we can agree on the benefits of green jobs, right? Not quite. If the green-jobs claim sounds too good to be true, that's because it is. Holding it up to the light exposes it as economically hollow. Making matters worse, a powerful green-jobs movement has emerged, made up of left-wing antipoverty activists and union leaders, all of them clamoring for a more conventional kind of green: government dollars.

What exactly is a "green job," anyway? The definition seems maddeningly vague. According to *Time*, "if you make wind turbines or solar panels, your job is reliably green." But the American Solar Energy Society (ASES), a leading proponent of the cause, says that green employment isn't reserved for scientists and researchers; the industry also needs "project managers, accountants, assemblers, IT professionals, customer service

Illustrations by Arnold Roth

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reps, marketing professionals and account executives." ASES estimates that more than 8 million people already work in the field of renewable energy and energy efficiency, and it predicts that figure to quadruple by 2030. But ASES acknowledges that no real standards exist for what constitutes a green job, so these numbers are fuzzy. Work in an energy-intensive smelting plant producing steel for a wind turbine, and you might wind up in the green-jobs column, despite the belching pollution. According to the Political Economy Research Institute, a left-wing think tank, even truck driving could be green, since long-haulers "will be in demand to transport wind turbines as well as switchgrass and woodchips for biofuels."

Obama has yet to provide much in the way of particulars on his green-jobs agenda, though he has proposed a "renewable portfolio standard" that would require 25 percent of our electricity to come from clean sources—a move that would boost demand for windmills, solar farms, and other clean but expensive technologies (clean nuclear power, reviled by environmental groups, would be excluded). Obama has also announced a massive new national-infrastructure and public-works agenda that would foster green jobs.

The paucity of details to date isn't surprising. For all the talk about green-job creation, there's an unavoidable problem with renewable-energy technologies and the policies that promote them: from an economic standpoint, they're big losers. Renewables can't produce the large volumes of useful, reliable energy that our economy needs at attractive prices. Government subsidizes renewables because—all things being equal—the free market won't. In many cases, these subsidies amount to little more than welfare for companies and industries with political connections.

The green subsidies are considerable. The U.S. Energy Information Administration reported in early 2008 that the government subsidizes solar energy at $24.34 per megawatt-hour (MWh) and wind power at $23.37. Yet even with decades of these massive handouts, as well as numerous state-level mandates for utilities to use green power, wind and solar energy contribute less than one-half of 1 percent of our nation's electricity. Compare the green energy subsidies to the energy sources reviled by environmentalists, such as natural gas (25 cents per MWh in subsidies), coal (44 cents), hydroelectricity (67 cents), and nuclear power ($1.59). With relatively little government largesse, these sources (along with oil, which undergirds transportation) do the heavy lifting in our energy economy.

The alternative technologies at the heart of Obama's plan, relying on more such government handouts and mandates, will inevitably raise energy prices—and high power prices are job killers. Industries that make physical products, whether cars or chemicals or paper cups, are energy-intensive and will gravitate to low-energy-cost locales—which is why California and New York, with some of the highest electricity prices in the country, have lost manufacturing jobs in droves. But it's not just manufacturers that need cheap electricity: Google, the poster child of California's information-technology economy, houses its massive server farms not in the Golden State but in places with lower electricity costs, like North Carolina and Oregon. Policies that drive up energy costs across the nation, as Obama intends, will drive many of these jobs not elsewhere in the country but overseas.

Keep in mind, too, that the traditional industries currently supplying Americans with reliable, affordable energy already employ millions of workers. The American Petroleum Institute reports that the oil and gas industry employs 1.6 million Americans. Coal mining directly and indirectly supports hundreds of thousands of jobs, according to the National Mining Association and the U.S. Bureau of Labor Statistics. A radical plan to transform our energy economy in favor of clean, renewable energy technologies would put many of those men and women out of work.

But won't all those new green jobs make up for whatever economic hardship results? That's the contention of *New York Times* columnist Thomas Friedman, among the best-known and most influential evangelists for a green economy. In his most recent bestseller, *Hot, Flat, and Crowded: Why We Need a Green Revolution—and How It Can Renew America*, Friedman argues

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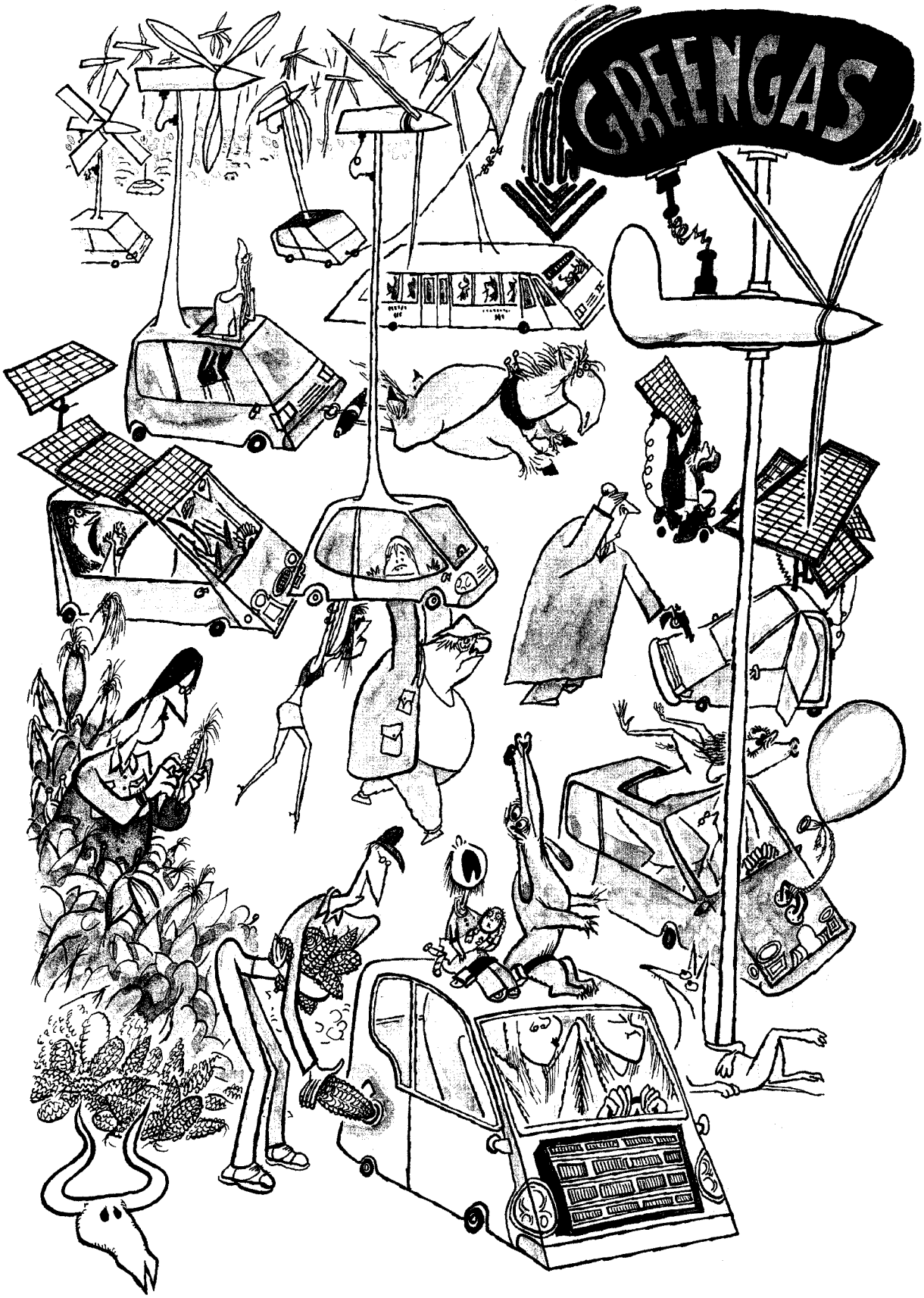

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that a government-directed green program would rebuild America's national strength and bolster our economy for the twenty-first century—regardless of whether global warming turns out to be a serious problem (which he believes it is). Friedman likens his proposal to training for the Olympic triathlon. "If you make it to the Olympics, you have a much better chance of winning, because you've developed every muscle," he writes. "If you don't make it to the Olympics, you're still healthier, stronger, fitter, and more likely to live longer and win every other race in life."

It's a nice analogy, but Friedman, like Obama, sees only the upside. Danish economist Bjørn Lomborg, author of books like *The Skeptical Environmentalist* and *Cool It*, which decries climate-change alarmism, agrees that global warming is real and man-made, but he differs with Friedman's response. "It is foolish to deny climate change," says Lomborg. "But it's also foolish to deny climate economics, which Friedman does." Lomborg notes that Friedman's argument "simply fails to address the cost of his proposed solutions, and fails to weigh those costs against the benefits."

Obama and Friedman have become the latest proponents of a common economic fallacy. One version holds that the Second World War and its aftermath were a boon for the American and European economies, since militarizing in America and rebuilding Europe spurred much-needed economic activity. Economist and *New York Times* columnist Paul Krugman peddled another version when, shortly after the 9/11 attacks, he suggested a possible silver lining: the destruction of the World Trade Center would require new construction and therefore reinvigorate economic activity downtown.

Such thinking was effectively debunked a century before World War II. The nineteenth-century French economist Frédéric Bastiat made an invaluable contribution to modern economics by demolishing the notion that a broken window is a good thing inasmuch as it provides work for the glazier. As Bastiat observed, the money that goes to pay the glassmaker would, had the window never been broken at all, have supported some other productive enterprise. Society as a whole winds up poorer, even if the glassmaker profits.

With his promise of 5 million new green jobs, Barack Obama heaves a brick straight through Bastiat's window. Yesterday's glazier is tomorrow's solar-panel installer. The green-jobs promise amounts to killing jobs in efficient industries to create jobs in inefficient ones—hardly a recipe for economic success. William Pizer, a researcher with Resources for the Future and a lead author of the most recent report from the United Nations' Intergovernmental Panel on Climate Change, reinforced the point at a symposium last April: "As an economist, I am skeptical that [dealing with climate change] is going to make money. You'll have new industries, but they'll be doing what old industries did but [at] a higher net cost. . . . You'll be depleting other industries." Consumers will be hurt, too, Pizer notes. Digging deeper each month to pay for expensive renewable energy, they will have less to save or spend in other areas of the economy.

There may be legitimate arguments for taking dramatic steps to fight climate change. Boosting the economy isn't one of them.

Higher costs and job losses aren't the only drawbacks of the green-jobs push. We also must contend with a burgeoning activist movement that is mobilizing around the idea of a green economy. Many of these activists come from self-styled environmental organizations, but some aren't typical environmentalists in any sense of the word. These unlikely eco-cadres—largely composed of labor union officials and inner-city community organizers—appear far less interested in protecting the environment than in agitating for "economic justice" and airing ethnic, racial, and other grievances.

That was the case with many of the participating organizations involved in the nationwide Green Jobs Now National Day of Action last September. The list of partner organizations reads like a roll call of left-wing activism. Most of the major environmental organizations were there, such as Greenpeace, the Sierra Club, and the Natural Resources Defense Council, along with many lesser-known groups. But so were

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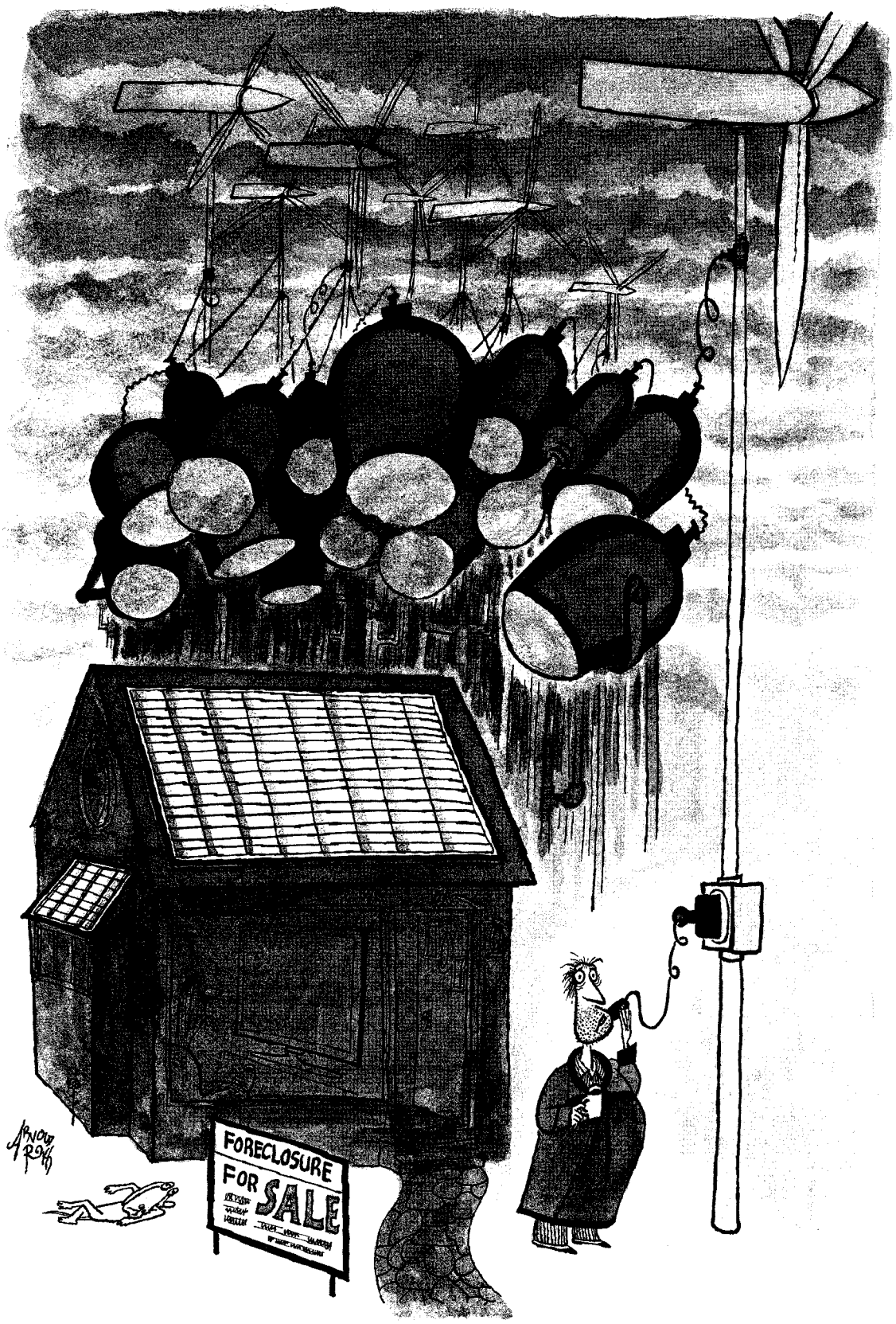

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numerous decidedly non-environmental outfits, including the well-known Acorn, MoveOn, and Codepink. Color of Change—an organization "dedicated to strengthening Black America's political voice"—was on hand, as was the Hip Hop Caucus. Democracia USA sought to mobilize Hispanics, while numerous union locals boosted turnout at various sites around the country.

Inner-city Oakland may well be the heart of this new movement. Mayor Ron Dellums, formerly one of Congress's most left-wing legislators, has pioneered the Oakland Green Jobs Corps (OGJC), which began dispersing money this fall for eligible groups to run so-called green-job-training programs. According to OGJC documents, "The program will have a special focus on providing 'green pathways out of poverty' by recruiting and training people with barriers to employment (e.g., lack of job skills, lack of education, language/cultural barriers, or history in juvenile/criminal justice system)."

Dellums had help from an Oakland-based community activist named Van Jones, who played a large role in persuading Congress to pass a Green Jobs Act in 2007 that will soon start funneling more than $125 million to antipoverty and environmental groups across the country. Jones is perhaps the leading proponent of harnessing the green-jobs wave to benefit low- or no-skilled candidates, many with troubled backgrounds. A relentless self-promoter, he has had a hand in starting or directing many of the best-known green-jobs advocacy groups: Green for All, the Apollo Alliance, Color for Change, and the Ella Baker Center for Human Rights. He is also a skilled quotesmith who has become a go-to guy for reporters looking to add flavor to stories about the environment. He often talks about the green economy being not just for the Ph.D., but also for the "Ph.-do." Friedman profiles Jones in *Hot, Flat, and Crowded* and records this Jones aphorism for disaffected youth: "You can make more money if you put down that handgun and pick up a caulk gun." Jones has written his own book, *The Green Collar Economy*, which promises both to rescue the economy and to save the environment (all for just $25.95).

Reading Jones's book or the many interviews he has given, one gets the impression that he is passionately committed to the environment. He talks up the need for a "green New Deal," for instance, that will "help our Rust Belt cities blossom as Silicon Valleys of green capital." But scroll through the websites and reports of the many organizations with which he's been connected, and one begins to suspect that this "green" commitment is less about nature than about welfare—for inner-city residents without the skills or knowledge to compete in a twenty-first-century economy, and for the professional poverty organizations that collect the money for government job-training programs.

If Jones and his compatriots in the green-jobs movement truly wanted to help poor minorities, they might start by taking a long, hard look at the history of government-run job-training programs. In terms of money wasted, skills not imparted, and opportunities lost, the history of such programs is abysmal. "Many, if not most, of the participants in federal jobs and job-training programs would be better off today if the programs had never existed," observes journalist James Bovard, who has written extensively on the failures of job-training efforts. "The primary beneficiaries of federal jobs programs have been the legions of social workers, consultants, and 'manpower experts' that have made a good living off these flounderings for 25 years." Bovard made those remarks in 1986; they are no less relevant today.

It would be comforting to think that the new Community-Organizer-in-Chief has better sense on the green economy than his Oakland counterparts. If he does, he'll recognize that the best way to a greener, more prosperous future would be for the government simply to set goals and parameters for the private sector, and then step aside and let the market work. That might mean instituting a carbon tax or a greenhouse-gas-emissions cap-and-trade program. It might even mean banning new coal plants outright. What it emphatically does not mean is spreading around yet more taxpayer wealth to uneconomic industries and establishing make-work programs for parolees and high school dropouts.

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Green Cities, Brown Suburbs

To save the planet, build more skyscrapers—especially in California.

Edward L. Glaeser

On a pleasant April day in 1844, Henry David Thoreau—the patron saint of American environmentalism—went for a walk along the Concord River in Massachusetts. With a friend, he built a fire in a pine stump near Fair Haven Pond, apparently to cook a chowder. Unfortunately, there hadn't been much rain lately, the fire soon spread to the surrounding grass, and in the end, over 300 acres of prime woodland burned. Thoreau steadily denied any wrongdoing. "I have set fire to the forest, but I have done no wrong therein, and now it is as if the lightning had done it," he later wrote. The other residents of Concord were less forgiving, taking a reasonably dim view of even inadvertent arson. "It is to be hoped that this unfortunate result of sheer carelessness, will be borne in mind by those who may visit the woods in future for recreation," the *Concord Freeman* opined.

Thoreau's accident illustrates a point that is both paradoxical and generally true: if you want to be good to the environment, stay away from it. Move to high-rise apartments surrounded by plenty of concrete. Americans who settle in leafy, low-density suburbs will leave a significantly deeper carbon footprint, it turns out, than Americans who live cheek by jowl in urban towers. And a second paradox follows from the first. When environmentalists resist new construction in their dense but environmentally friendly cities, they inadvertently ensure that it will take place somewhere else—somewhere with higher carbon emissions. Much local environmentalism, in short, is bad for the environment.

Matthew Kahn, a professor of economics at UCLA, and I have quantified the first paradox. We begin by estimating the amount of carbon

Illustrations by Alberto Mena

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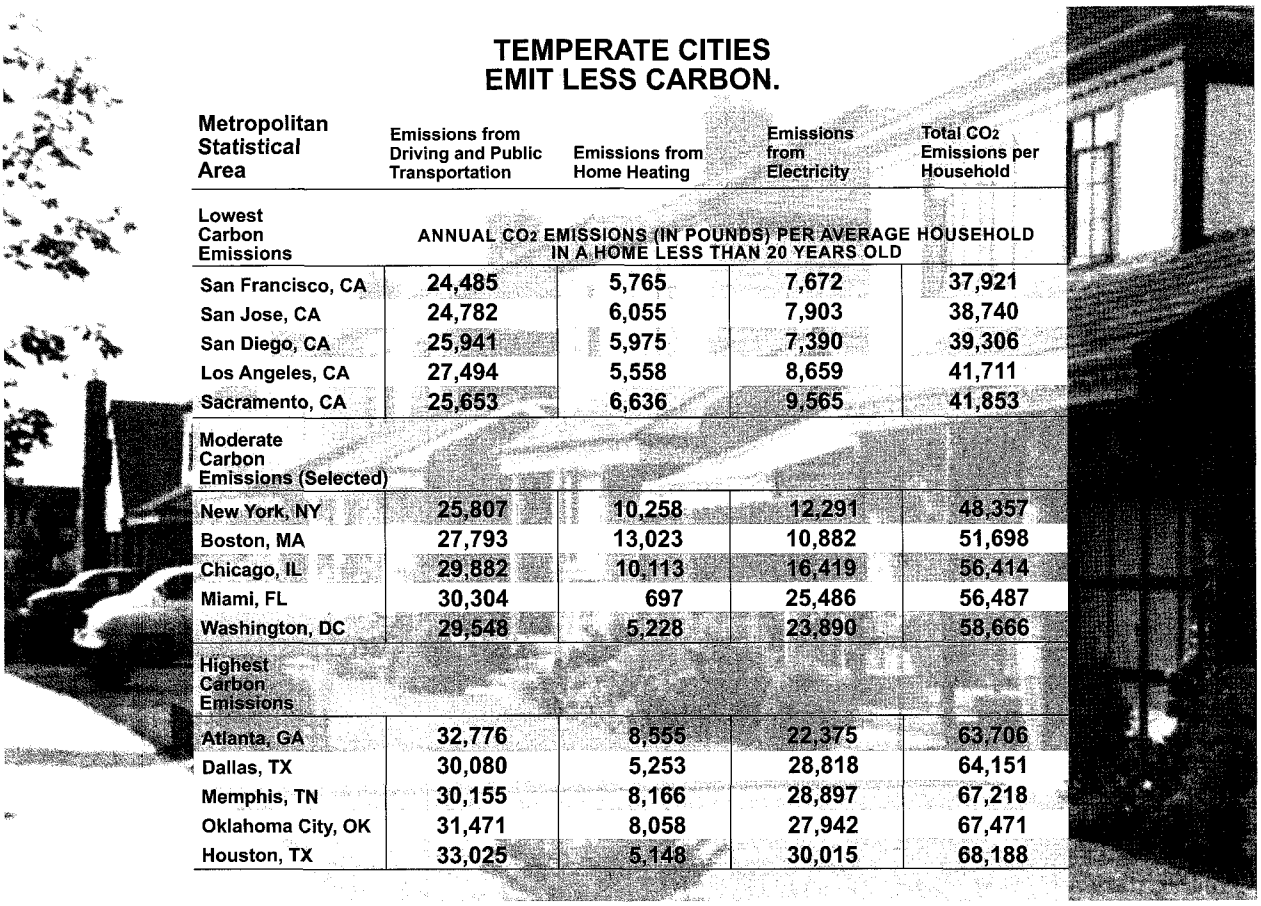

TEMPERATE CITIES EMIT LESS CARBON.

Metropolitan Statistical Area	Emissions from Driving and Public Transportation	Emissions from Home Heating	Emissions from Electricity	Total CO_2 Emissions per Household
Lowest Carbon Emissions	ANNUAL CO_2 EMISSIONS (IN POUNDS) PER AVERAGE HOUSEHOLD IN A HOME LESS THAN 20 YEARS OLD			
San Francisco, CA	24,485	5,765	7,672	37,921
San Jose, CA	24,782	6,055	7,903	38,740
San Diego, CA	25,941	5,975	7,390	39,306
Los Angeles, CA	27,494	5,558	8,659	41,711
Sacramento, CA	25,653	6,636	9,565	41,853
Moderate Carbon Emissions (Selected)				
New York, NY	25,807	10,258	12,291	48,357
Boston, MA	27,793	13,023	10,882	51,698
Chicago, IL	29,882	10,113	16,419	56,414
Miami, FL	30,304	697	25,486	56,487
Washington, DC	29,548	5,228	23,890	58,666
Highest Carbon Emissions				
Atlanta, GA	32,776	8,555	22,375	63,706
Dallas, TX	30,080	5,253	28,818	64,151
Memphis, TN	30,155	8,166	28,897	67,218
Oklahoma City, OK	31,471	8,058	27,942	67,471
Houston, TX	33,025	5,148	30,015	68,188

dioxide that an average household would emit if it settled in each of the 66 major metropolitan areas in the United States. Then we calculate, for 48 of those areas, the difference between what that average household would emit if it settled in the central city and what it would emit in the suburbs. (The remaining 18 areas had too little data for our calculations.) A few key points about our methodology follow; if you're interested in all the methodological details, see http://mek1966.googlepages.com/w14238.pdf.

First, by "average household," we mean average in terms of income and family size, so that we aren't comparing urban singles with large suburban families. However, we don't want to standardize the physical size of the home. People who move to suburban Dallas aren't likely to live in apartments as small as those in Manhattan. Smaller housing units are one of the important environmental benefits of big-city living.

Second, we try to estimate the energy use from a typical *new* home in an area—specifically, one built in the last 20 years—which sometimes means something quite different from an average one. The reason is simple. We aren't playing a ratings game to figure out which city pollutes least; rather, we're trying to determine where *future* home construction would do the least environmental damage.

We calculate carbon emissions from four different sources: home heating (that is, fuel oil and natural gas); electricity; driving; and public transportation. Residential energy use and non-diesel motor fuel are each responsible for about

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1.2 billion tons of carbon dioxide emissions each year, out of total U.S. emissions of 6 billion tons. So these sources together reflect about 40 percent of America's carbon footprint. Our procedure is admittedly imperfect and incomplete: for example, we do not include carbon dioxide generated as a by-product of workplace activity.

The table on page 51 shows some of the results of our research. The five metropolitan areas with the lowest levels of carbon emissions are all in California: San Francisco, San Jose, San Diego, Los Angeles, and Sacramento. These areas have remarkably low levels of both home heating and electricity use. There are cold places, like Rochester, that don't air-condition much and thus use comparably little electricity. There are warm places, like Houston, that don't heat much and thus have comparably low heating emissions. But coastal California has little of both sorts of emissions, because of its extremely temperate climate and because California's environmentalists have battled for rules that require energy-efficient appliances, like air conditioners and water heaters, and for green sources of electricity, such as natural gas and hydropower. (Some analysts argue that this greenness is partly illusory—see "California's Potemkin Environmentalism," Spring 2008—but certainly, by our measures, California homes use less energy.) Also, despite the stereotypes about California highways and urban sprawl, some of these five cities, like San Francisco, have only moderate levels of transportation emissions, since their residents actually live at relatively high densities, which cuts down on driving.

The table's middle panel shows five cities that rank somewhere in the middle of our sample. New York City, where driving is less common and public transportation more common than in most cities, ranks 18th. New York's home heating emissions are, unsurprisingly, higher than coastal California's. Electricity usage isn't that much higher than in California, but New York's sources of electricity, like coal, are dirtier.

Boston, in 22nd place, has cold winters and high emissions from home heating, and it makes considerable use of fuel oil, a brown technology. Boston has a little more driving than New York does, but its electricity emissions are lower, reflecting less use of coal to produce electricity in New England. Hot Miami, ranked 34th overall, uses lots of electricity but little home heating, while for chilly Chicago, at number 32, the opposite is true. Both cities have more driving than New York or California, but less than the sprawling exurbs at the bottom of our list. And Washington, D.C. ranks 44th out of 66, with some home heating, moderately high driving levels, and much electricity, produced with plenty of coal. The people in our nation's capital may like prescribing green lifestyles, but they don't seem to practice what they preach.

Finally, the bottom panel lists the five metropolitan areas with the highest levels of carbon emissions: Atlanta, Dallas, Memphis, Oklahoma City, and Houston. These Sunbelt cities don't emit much carbon by heating their homes, of course. Rather, their high emissions are driven by electricity (reflecting hot summers and relatively brown sources of energy) and driving (reflecting their sprawling geography). Their households emit almost twice as much carbon as those in the top-ranked California cities.

In almost every metropolitan area, carbon emissions are significantly lower for people who live in central cities than for people who live in suburbs. The table on the opposite page shows the difference for an assortment of metropolitan areas. (Because of small sample sizes, we have had to use the entire data sample to construct these estimates, not just housing built in the past 20 years.)

New York City has the largest gap in emissions between central city and suburbs of any metropolitan area in the country—unsurprisingly, since New York's central city is the epitome of dense urban living. Our estimate is that an average New York City resident emits 4,462 pounds less of transportation-related carbon dioxide than an average New York suburbanite. The reductions in carbon emissions from home heating and electricity are comparably large, thanks to New York's famously tiny apartments. Manhattan is one of the greenest places in America.

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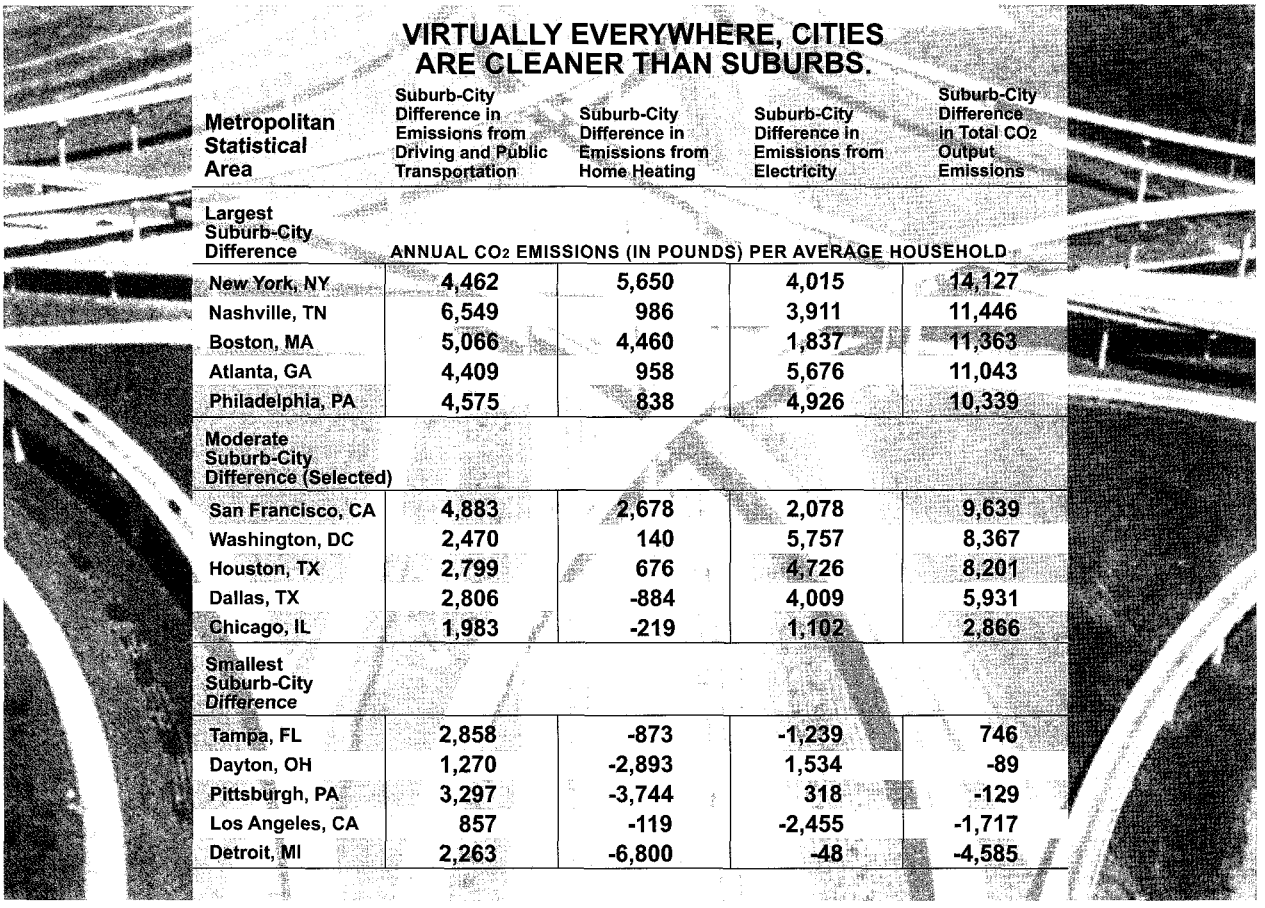

VIRTUALLY EVERYWHERE, CITIES ARE CLEANER THAN SUBURBS.

Metropolitan Statistical Area	Suburb-City Difference in Emissions from Driving and Public Transportation	Suburb-City Difference in Emissions from Home Heating	Suburb-City Difference in Emissions from Electricity	Suburb-City Difference in Total CO_2 Output Emissions
Largest Suburb-City Difference	ANNUAL CO_2 EMISSIONS (IN POUNDS) PER AVERAGE HOUSEHOLD			
New York, NY	4,462	5,650	4,015	14,127
Nashville, TN	6,549	986	3,911	11,446
Boston, MA	5,066	4,460	1,837	11,363
Atlanta, GA	4,409	958	5,676	11,043
Philadelphia, PA	4,575	838	4,926	10,339
Moderate Suburb-City Difference (Selected)				
San Francisco, CA	4,883	2,678	2,078	9,639
Washington, DC	2,470	140	5,757	8,367
Houston, TX	2,799	676	4,726	8,201
Dallas, TX	2,806	-884	4,009	5,931
Chicago, IL	1,983	-219	1,102	2,866
Smallest Suburb-City Difference				
Tampa, FL	2,858	-873	-1,239	746
Dayton, OH	1,270	-2,893	1,534	-89
Pittsburgh, PA	3,297	-3,744	318	-129
Los Angeles, CA	857	-119	-2,455	-1,717
Detroit, MI	2,263	-6,800	-48	-4,585

Boston and Philadelphia are the third and fifth cities on the list. Though hotter summers and more coal make Philadelphia browner than Boston, the city-suburb differences in both areas reflect the high density and abundant public transportation in their central cities. Nashville and Atlanta, on the other hand, rank second and fourth not because their central cities are particularly green but because extensive driving makes their far-flung suburbs particularly brown.

The table's bottom panel shows the five metropolitan areas with the smallest differences in emissions between central city and suburbs. Notice that in only four cases in the 48-city sample are carbon emissions higher in central cities than in suburbs. In Los Angeles, central-city residents are using far more electricity than their suburban counterparts—possibly because newer, energy-efficient houses tend to be in the suburbs and because the urban core has many large homes. In Pittsburgh, Dayton, and Detroit, central-city residents are using a lot of energy to heat their homes. Again, this reflects primarily the older stock of homes in these places: if the central cities were spawning modern, efficient apartments, they would be more energy-efficient.

These four cities notwithstanding, the data suggest a strong general pattern: households in dense urban areas have significantly lower carbon emissions than households in the suburbs. The lifestyle that Thoreau preferred, living surrounded by green space, tends to be far less kind to the planet and far likelier to raise global

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temperatures, just as Thoreau himself did that afternoon in 1844.

There is a large and growing literature, ranging from complete skepticism to ultra-alarmism, devoted to the question of just how much environmental damage is associated with carbon emissions. The widely cited *Stern Review on the Economics of Climate Change* claims that each ton of carbon dioxide emissions causes $85 worth of damage to the planet. More commonly accepted estimates are considerably lower; one meta-study suggests an average cost of about $15 per ton of carbon dioxide. The right number probably lies somewhere between $15 and $85.

Even if, like many economists, you think that the *Stern Review* overstates the true damage per ton and you chop its proposed cost in half, then the average new home in Memphis still does about $620 worth of environmental harm per year more than an average new home in San Francisco, since San Francisco homes are associated with 14.65 fewer tons of carbon dioxide each year. Once you crunch the numbers, that makes the lifetime environmental cost of building in Memphis, rather than San Francisco, $12,400 per home—a big number relative to Memphis's average housing price of $90,000.

Fans of central planning might argue for a complicated tax-and-subsidy scheme that would induce people to move to greener acres. But such a scheme would be politically impossible and difficult to operate even if it were possible. Others may be drawn to a simple carbon tax, which would charge people for the social costs of their energy use. Like many economists, I find much to like in a carbon tax, but it won't lead to good development decisions as long as the greenest parts of the country are banning new construction.

Before even considering carbon taxes, the country should rethink its land-use policies, which currently push people toward high-emissions areas and away from green ones. The chart on page 55 shows the relationship between estimated pounds of carbon dioxide emissions and the Wharton Residential Land Use Regulation Index, which is the gold-standard measure of barriers against local building in metropolitan areas. (I average across all places in the metropolitan area, weighting each place by its population, since the Wharton survey measures political jurisdictions, not metropolitan areas.)

The chart shows a strong negative correlation between restrictiveness and carbon dioxide emissions. In other words, America's land-use regulations bind most tightly in the places where environmental concerns should lead us to have the most growth, presumably because the same environmentalists who oppose building also like to make their cities greener. Oklahoma City is among the least regulated places in America and also among the places with the highest levels of carbon dioxide emissions. Coastal California is both the greenest place in the country and one of the hardest places in which to build.

But California's abundant restrictions on new construction don't do much to deter building across America as a whole. No matter what the Bay Area does, plenty of new households will come into being, and they will need new homes. By restricting local development, California regulators just make sure that construction occurs someplace else. That someplace else tends to be a lot less environmentally friendly than the California coast, blessed as it is with a superbly temperate climate. The net result of this process: land-use restrictions in California increase carbon emissions and raise the risks of global warming.

The great irony, of course, is that land-use regulations are so often justified by environmental arguments. In the early 1960s, California was still fairly friendly to new development. Then an environmental movement emerged that tried, for example, to "Save the Bay" by preventing development near San Francisco. Town after town increased regulatory barriers to new construction, such as growth controls, which limit the number of permits that can be issued at the local level. Further, in 1972, the California Supreme Court handed the state's environmental movement a stunning victory in *Friends of Mammoth* v. *Board of Supervisors of Mono County*, requiring large numbers of private developments to undergo environmental impact reviews. The reviews are fundamentally one-sided: they consider only the impact on the local environment if

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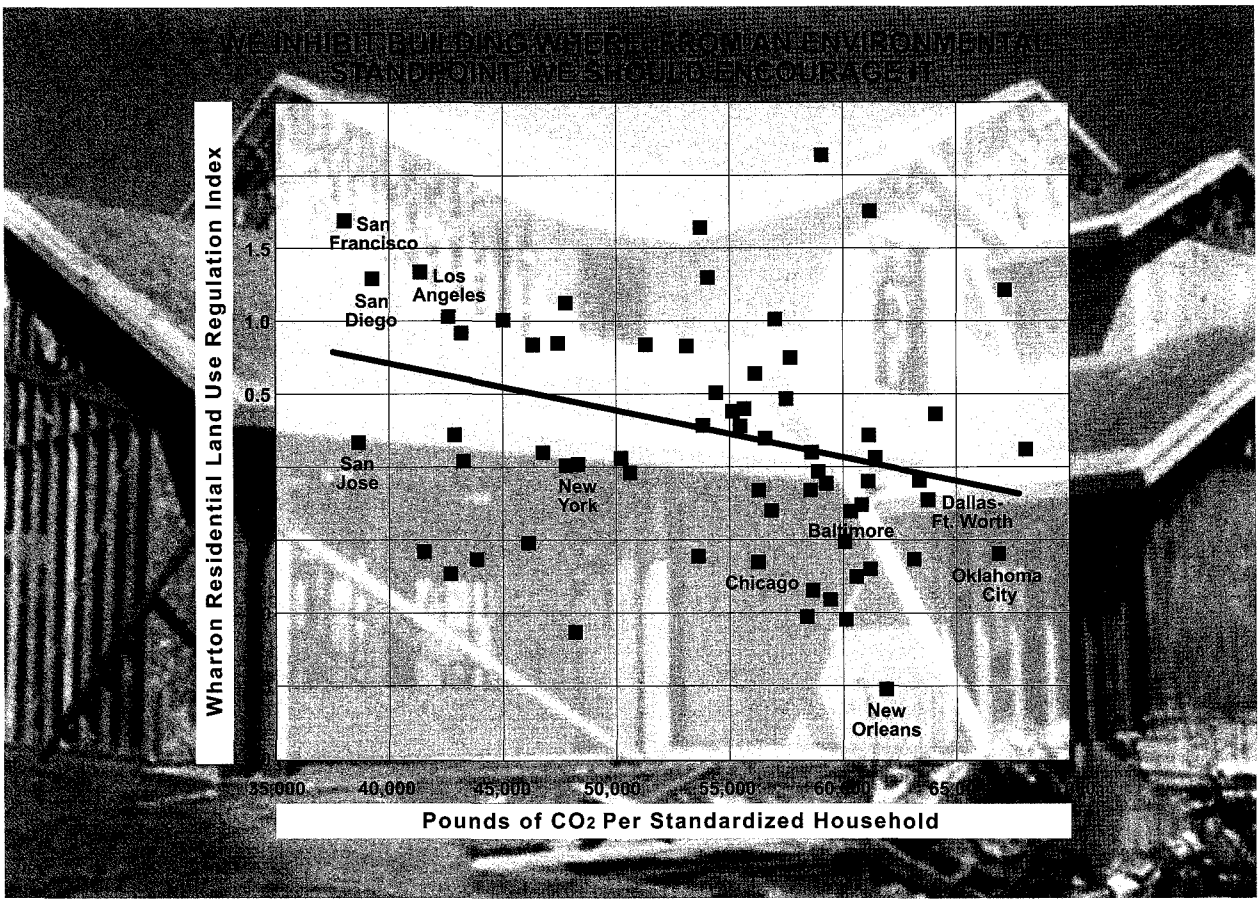

the development occurs, not the impact on the national or global environment if the development fails to occur. In principle, all environmental reviews in the Golden State should consider the fact that if building doesn't occur in coastal California, then it is likely to occur someplace with considerably higher carbon emissions.

So California environmentalists have things exactly backward. If climate change is the major environmental challenge that we face, the state should actively encourage new construction, rather than push it toward other areas. True, increasing development in California might increase per-household carbon emissions within the state if the new development, following the current model, took place on the extreme edges of urban areas. A better path would be to ease restrictions in the urban cores of San Francisco, San Jose, Los Angeles, and San Diego. More building there would reduce average commute lengths and improve per-capita emissions. Higher densities could also justify more investment in new, low-emissions energy plants.

Similarly, limiting the height or growth of New York City skyscrapers incurs environmental costs. Building more apartments in Gotham will not only make the city more affordable; it will also reduce global warming.

Thoreau was wrong. Living in the country is not the right way to care for the Earth. The best thing that we can do for the planet is build more skyscrapers. ▪

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Forgiveness and Irony

What makes the West strong

Roger Scruton

Wherever the Western vision of political order has gained a foothold, we find freedom of expression: not merely the freedom to disagree with others publicly about matters of faith and morality but also the freedom to satirize solemnity and to ridicule nonsense, including solemnity and nonsense of the sacred kind. This freedom of conscience requires secular government. But what makes secular government legitimate?

That question is the starting point of Western political philosophy, the consensus among modern thinkers being that sovereignty and law are made legitimate by the consent of those who must obey them. They show this consent in two ways: by a real or implied "social contract," whereby each person agrees with every other to the principles of government; and by a political process through which each person participates in the making and enacting of the law. The right and duty of participation is what we mean, or ought to mean, by "citizenship," and the distinction between political and religious communities can be summed up in the view that political communities are composed of citizens and religious communities of subjects—of those who have "submitted." If we want a simple definition of the West as it is today, the concept of citizenship is a good starting point. That is what millions of migrants are roaming the world in search of: an order that confers security and freedom in exchange for consent.

That is what people want; it does not, however, make them happy. Something is missing from a life based purely on consent and polite accommodation with your neighbors—something of which Muslims retain a powerful image through the words of the Koran. This missing thing goes by many names: sense, meaning, purpose, faith, brotherhood, submission. People need freedom; but they also need the goal for which they can renounce it. That is the thought contained in the word "Islam": the willing submission, from which there is no return.

It goes without saying that the word's connotations are different for Arabic speakers and for speakers of Turkish, Malay, or Bengali. Turks, who live under a secular law derived from the legal systems of post-Napoleonic Europe, are seldom disposed to think that, as Muslims, they must live in a state of continual submission to a divine law that governs all of social and political life. The 20 percent of Muslims who are Arabs, however, feel the mesmerizing rhythms of the Koran as an unbrookable current of compulsion and are apt to take "Islam" literally. For them, this particular act of submission may mean renouncing not only freedom but also the very idea of citizenship. It may involve retreating from the open dialogue on which the secular order depends into the "shade of the Koran," as Sayyid Qutb put it, in a disturbing book that has inspired the Muslim Brotherhood ever since. Citizenship is precisely not a form of brotherhood, of the kind that follows from a shared act of heartfelt submission: it is a relation among strangers, a collective apartness, in which fulfillment and meaning are confined to the

Forgiveness: Rembrandt's *Return of the Prodigal Son* (c. 1668–69)

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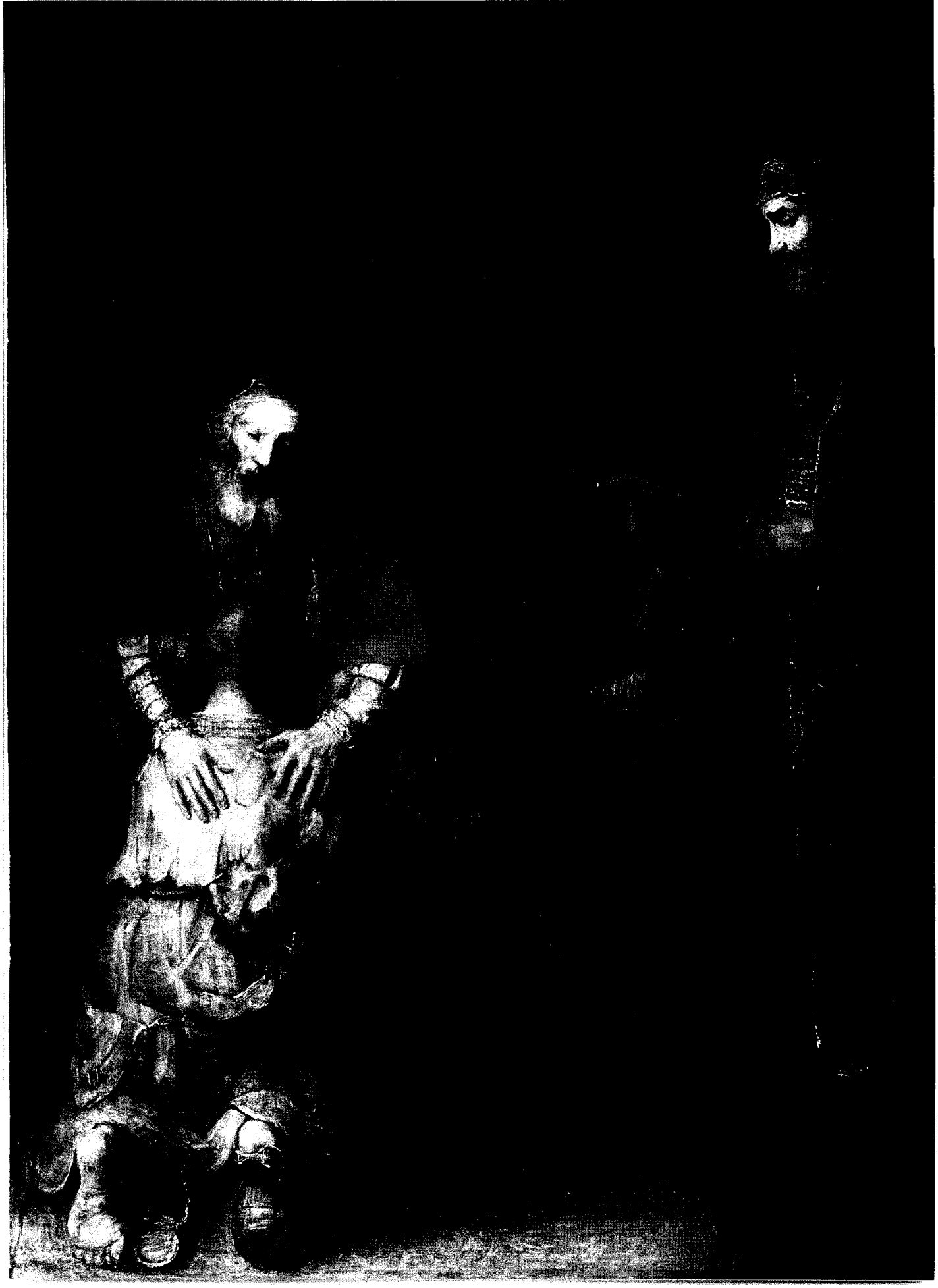

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private sphere. To have created this form of renewable loneliness is the great achievement of Western civilization, and my way of describing it raises the question of whether it is worth defending and, if so, how.

My answer is yes, it is worth defending, but only if we recognize the truth that the present conflict with Islamism makes vivid to us: citizenship is not enough, and it will endure only if associated with meanings to which the rising generation can attach its hopes and its search for identity. There is no doubt that the secular order and the search for meaning coexisted quite happily when Christianity provided its benign support to both. But (especially in Europe) Christianity has retreated from public life and is now being driven from private life as well. For people of my generation, it seemed, for a while, as though we could rediscover meaning through culture. The artistic, musical, literary, and philosophical traditions of our civilization bore so many traces of a world-transforming significance that it would be enough—we thought—to pass those things on. Each new generation could then inherit by means of them the spiritual resources that it needed. But we reckoned without two all-important facts: first, the second law of thermodynamics, which tells us that without an injection of energy, all order decays; and second, the rise of what I call the "culture of repudiation," as those appointed to inject that energy have become increasingly fatigued with the task and have eventually jettisoned the cultural baggage under whose weight they staggered.

This culture of repudiation has transmitted itself, through the media and the schools, across the spiritual terrain of Western civilization, leaving behind it a sense of emptiness and defeat, a sense that nothing is left to believe in or endorse, save only the freedom to believe. And a belief in the freedom to believe is neither a belief nor a freedom. It encourages hesitation in the place of conviction and timidity in the place of choice. It is hardly surprising that so many Muslims in our cities today regard the civilization surrounding them as doomed, even if it is a civilization that has granted them something that they may be unable to find where their own religion triumphs, which is a free, tolerant, and secular rule of law. For they were brought up in a world of certainties; around them, they encounter only doubts.

If repudiation of its past and its identity is all that Western civilization can offer, it cannot survive: it will give way to whatever future civilization can offer hope and consolation to the young and fulfill their deep-rooted human need for social membership. Citizenship, as I have described it, does not fulfill that need: and that is why so many Muslims reject it, seeking instead that consoling "brotherhood" (*ikhwan*) that has so often been the goal of Islamic revivals. But citizenship is an achievement that we cannot forgo if the modern world is to survive: we have built our prosperity on it, our peace and our stability, and—even if it does not provide happiness—it defines us. We cannot renounce it without ceasing to be.

What is needed is not to reject citizenship as the foundation of social order but to provide it with a heart. And in seeking that heart, we should turn away from the apologetic multiculturalism that has had such a ruinous effect on Western self-confidence and return to the gifts that we have received from our Judeo-Christian tradition.

The first of these gifts is forgiveness. By living in a spirit of forgiveness, we not only uphold the core value of citizenship but also find the path to social membership that we need. Happiness does not come from the pursuit of pleasure, nor is it guaranteed by freedom. It comes from sacrifice: that is the great message that all the memorable works of our culture convey. The message has been lost in the noise of repudiation, but we can hear it once again if we devote our energies to retrieving it. And in the Judeo-Christian tradition, the primary act of sacrifice is forgiveness. The one who forgives sacrifices resentment and thereby renounces something that had been dear to his heart.

The Koran invokes at every point the mercy, compassion, and justice of God. But the God of the Koran is not a lenient God. In His Koranic

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manifestation, God forgives sparingly and with obvious reluctance. He is manifestly not amused by human folly and weakness—nor, indeed, is He amused by anything. The Koran, unlike the Hebrew Bible or the New Testament, is a joke-free zone.

This brings us to another of our civilization's gifts to us: irony. There is already a developing streak of irony in the Hebrew Bible, one that the Talmud amplifies. But a new kind of irony dominates Christ's judgments and parables, which look on the spectacle of human folly and wryly show us how to live with it. A telling example is Christ's verdict in the case of the woman taken in adultery: "Let he who is without fault cast the first stone." In other words: "Come off it; haven't you wanted to do what she did, and already done it in your hearts?" Some have suggested that this story is a later insertion—one of many that the early Christians culled from the store of inherited wisdom attributed to the Redeemer after his death. Even if that is true, however, it merely confirms the view that the Christian religion has made irony central to its message. It was a troubled, post-Enlightenment Christian, Søren Kierkegaard, who pointed to irony as the virtue that united Socrates and Christ.

The late Richard Rorty saw irony as a state of mind intimately connected with the postmodern worldview—a withdrawal from judgment that nevertheless aims at a kind of consensus, a shared agreement not to judge. The ironic temperament, however, is better understood as a virtue—a disposition aimed at a kind of practical fulfillment and moral success. Venturing a definition of this virtue, I would describe it as a habit of acknowledging the otherness of everything, including oneself. However convinced you are of the rightness of your actions and the truth of your views, look on them as the actions and the views of someone else and rephrase them accordingly. So defined, irony is quite distinct from sarcasm: it is a mode of acceptance rather than a mode of rejection. It also points both ways: through irony, I learn to accept both the other on whom I turn my gaze, and also myself, the one who is gazing. *Pace* Rorty, irony is not free from judgment: it simply recognizes that the one who judges is also judged, and judged by himself.

The West's democratic inheritance stems, I would argue, from the habit of forgiveness. To forgive the other is to grant him, in your heart, the freedom to be. It is therefore to acknowledge the individual as sovereign over his life and free to do both right and wrong. A society that makes permanent room for forgiveness therefore tends automatically in a democratic direction, since it is a society in which the voice of the other is heard in all decisions that affect him. Irony—the recognition and acceptance of otherness—amplifies this democratic tendency and also helps thwart the mediocrity and conformity that are the downsides of a democratic culture.

Forgiveness and irony lie at the heart of our civilization. They are what we have to be most proud of, and our principal means to disarm our enemies. They underlie our conception of citizenship as founded in consent. And they are expressed in our conception of law as a means to resolve conflicts by discovering the just solution to them. It is not often realized that this conception of law has little in common with Muslim sharia, which is regarded as a system of commands issued by God and not capable of, or in need of, further justification.

God's commandments are important to Christians and Jews, too; but they are not seen as sufficient for the good government of human societies. They must be supplemented by another kind of law, responsive to the changing forms of human conflict. The parable of the tribute money makes this transparently clear ("Render to Caesar the things that are Caesar's, and to God the things that are God's"), as does the papal doctrine of the two swords—the two forms of law, human and divine, on which good government depends. The law enforced by our courts requires the parties to "submit" only to the secular jurisdiction. It treats each party as a responsible individual, acting freely for himself. This feature of law is particularly vivid in the minds of the English-speaking peoples, whose system of common law consists of freedoms—won by the citizen from the state—that the state must uphold. Sharia consists of obligations imposed by God that the courts must enforce. It is a means

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to ensure "submission" to the will of God, as revealed in the Koran and the Sunna.

How do these thoughts bear on our current situation? In particular, how does this invocation of deep aspects of our Judeo-Christian heritage help us respond to the threat posed by Islamist terrorism, and how can we achieve the much-needed reconciliation with Islam without which our political inheritance will remain in jeopardy?

Terrorism and Islam have become associated in the popular mind, and in response, well-intentioned commentators urge that there is nothing new in terrorism and nothing about Islam that predisposes its adherents toward the use of it. Wasn't it the Jacobins of the French Revolution who unleashed the beast? Didn't terrorism find its political home with the Russian nihilists of the nineteenth century, thereafter to be adopted by radical movements throughout the twentieth?

The response is reasonable, but it prompts us to explore the deeper question of motive. What draws people to the use of terror? Is it chosen, as its apologists suggest, as a tactical device? Or is it chosen as an end in itself? From a certain perspective, it seems plausible to trace modern terrorism to the Enlightenment, to the idea of human equality, and to the attitude of *ressentiment* that Nietzsche rightly discerned in the heart of modern communities—the desire to destroy what one longs for when seeing it in others' hands. But such a diagnosis ignores the fact that terrorism, as typified by the Russian nihilists and recorded in their name, is radically disconnected from any goal. Sometimes, it is true, terrorists—the Bolsheviks, the IRA, ETA—have furnished themselves with a cause, making believe that with the achievement of a "dictatorship of the proletariat," a united Ireland, or a Basque national state, their purposes will be achieved and they can lay down their arms. But the cause is usually vague and utopian to the point of unreality, and its nonachievement seems part of its point—a way to justify the constant renewal of violence.

Terrorists might equally be entirely causeless, or dedicated to a cause so vaguely and metaphysically characterized that nobody (least of all themselves) could believe it to be achievable. Such were the Russian nihilists, as Dostoyevsky and Turgenev described them. Such, too, were the Italian Brigate Rosse and the German Baader-Meinhof gang of my youth. As Michael Burleigh shows in his magisterial *Blood and Rage*, modern terrorism has been far more interested in violence than in anything that might be achieved by it. It is typified by Joseph Conrad's Professor, in *The Secret Agent*, who raises his glass "to the destruction of all that is."

The vague or utopian character of the cause is therefore an important part of terrorism's appeal, for it means that the cause does not define or limit the action. It is waiting to be filled with meaning by the terrorist, who is searching to change not the world but himself. To kill someone who has neither offended you nor given just cause for punishment, you have to believe yourself wrapped in some kind of angelic cloak of justification. You then come to see the killing as showing that you are indeed an angel. Your existence receives its final ontological proof. Terrorists pursue a moral exultation, a sense of being beyond the reach of ordinary human judgment, radiated by a self-assumed permission of the kind enjoyed by God. Terrorism of this kind, in other words, is a search for meaning—the very meaning that citizenship, conceived in abstract terms, cannot provide. Even in its most secularized form, terrorism involves a kind of religious hunger.

It is very difficult to kill the innocent Mrs. Smith and her children as they go about their family shopping. Hence this strategy for ego-building cannot begin simply from the desire to kill. Mrs. Smith must become something else—a symbol of some abstract condition, a kind of incarnation of a universal enemy. Terrorists of the modern kind therefore tend to lean on doctrines that remove the humanity from the people they target. Marx's theories served this purpose well, since they created the idea of the bourgeoisie, the "class enemy," who had the same function in

Irony: *The Woman Taken in Adultery*, also by Rembrandt (1644)

THE ART ARCHIVE/NATIONAL GALLERY LONDON/EILEEN TWEEDY

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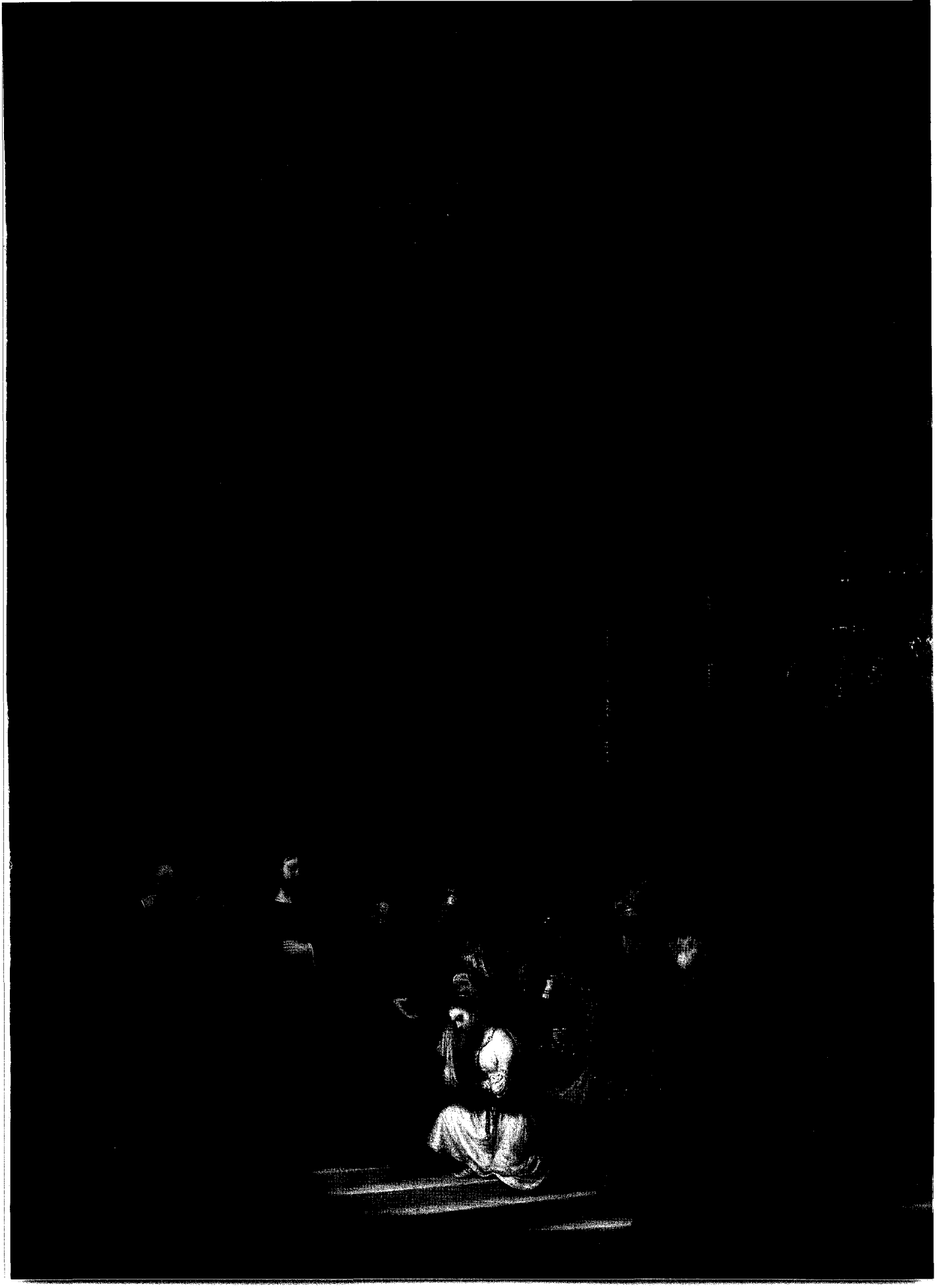

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Bolshevik ideology as the Jews did in the ideology of the Nazis. Mrs. Smith and her children stand behind the target, which is the abstract bourgeois family. It just so happens that, when the bomb hits this target made of fictions, the shrapnel passes easily through it into the real body of Mrs. Smith. Sad for the Smiths, and often you will find terrorists making a kind of abstract apology, saying that it wasn't their fault that Mrs. Smith got blown up and that really people ought not to stand behind targets in quite that way.

Islamist terrorists are animated, at some level, by the same troubled search for meaning and the same need to stand above their victims in a posture of transcendental exculpation. Ideas of liberty, equality, or historical right have no influence on their thinking, and they are not interested in possessing the powers and privileges that their targets enjoy. The things of this world have no real value for them, and if they sometimes seem to aim at power, it is only because power would enable them to establish the kingdom of God—an aim that they, like the rest of us, know to be impossible and therefore endlessly renewable in the wake of failure. Their carelessness about others' lives is matched by their carelessness about their own. Life has no particular value for them; death beckons constantly from the near horizon of their vision. And in death, they perceive the only meaning that matters: the final transcendence of this world and of the accountability to others that this world demands of us.

People inoculated by the culture of repudiation, reluctant to acknowledge the search for meaning as a human universal, tend to think that all conflicts are really political, concerning who has power over whom. They are apt to believe that the causes of Islamist terrorism lie in the "social injustice" against which the terrorists protest and that the failure of all other attempts to rectify things renders their regrettable methods necessary. This seems to me to misinterpret radically the motives of terrorism in general and of Islamism in particular. The Islamist terrorist, like the European nihilist, is primarily interested in himself and his spiritual condition, and he has no real desire to change things here below, where he does not belong. He wants to belong to God, not to the world, and this means witnessing to God's law and kingdom by destroying all that stands in their way, his own body included. Death is his ultimate act of submission: through death, he dissolves into a new and immortal brotherhood. The terror that his death inflicts both exalts the world of brotherhood and casts a devastating blow against the rival world of strangers, in which citizenship, not brotherhood, is the binding principle.

This is why we should recognize that we face a new kind of threat, one that does not have limited or negotiable objectives, that we cannot easily meet with a military confrontation, and that the usual means cannot deter. There is nothing we can offer the Islamists that will enable them to say that they have achieved their goal. If they succeeded in destroying a Western city with a nuclear bomb, or a whole population with a deadly virus, they would regard it as a triumph, even though it conferred no material, political, or religious benefit whatsoever.

Of course, the mass of ordinary Muslims would be appalled at such an event and would regard mass murder of the kind contemplated by al-Qaida as an outrage absolutely forbidden by the law of God. And there are encouraging signs that thinking Muslims are attempting to find a way to declare a public commitment to coexistence with the other two Abrahamic religions and to uphold the love of neighbor, even when the neighbor is of another faith. Witness the 2007 letter to religious leaders in the West, signed by 140 distinguished Muslim scholars, calling for dialogue among the faiths and for mutual respect as the foundation of coexistence. However, we should note two important facts. The first is that Islam has never succeeded in establishing any decisive source of religious authority. Each spiritual leader is self-appointed, like the Ayatollah Khomeini, and has no credibility outside his own circle of followers. People often say what a pity it is that Islam has had no Protestant Reformation. In

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fact, it is one unending series of Protestant Reformations, each of which claims to be the sole truth in the matter of man's obedience to God.

The second important fact—and it is, I believe, connected—is that Muslims show a remarkable ability to turn a blind eye to the atrocities committed in the name of their faith and to rally against anyone who disparages it. The notorious Danish cartoons caused outrage, uniting Muslims everywhere in acts of destruction and calls for revenge. A few days later, the al-Askari mosque in Samarra, one of the Shiite community's holiest places, was blown up by Islamists. But where were the protests, outside Iraq? Far more Muslims than non-Muslims have been killed by Islamic terrorists. But when do those who claim to speak for Muslims mention this statistic? For that matter, the whole point of the infamous cartoons was to make us look at the atrocious things done in the Prophet's name. Does he approve or doesn't he?

Muslims must face up to this question. But a rooted double standard often prevents their turning on fellow Muslims the self-righteous anger that they turn on enemies of the faith. Such double standards are the direct result of the loss of irony. They stem from an inability to accept the otherness of everything, to stand outside one's own opinions, and even one's own faith, so as to see it as the faith of someone else. Not that Islam has always lacked irony in this respect: the works of the Sufi masters are full of it. But the Sufi masters (I think of Rumi and Hafiz especially) belong to that great and self-knowing Islamic culture on which the Islamists have turned their backs, embracing instead the narrow-minded bigotry of Ibn Abd-al-Wahhab or the self-deceived nostalgia of the Muslim Brotherhood and Sayyid Qutb.

The confrontation that we are involved in is thus not political or economic; it is not the first step toward a negotiation or a calling to account. It is an existential confrontation. The question put to us is: "What right do you have to exist?" By answering, "None whatsoever," we invite the reply, "That's what I thought." An answer can avert the threat only by facing it down; and that means being absolutely convinced that we do have a right to exist and that we are prepared to concede an equal right to our opponents, though only on condition that the concession is mutual. No other strategy has a remote chance of succeeding.

Al-Qaida may be weak; the whole conspiracy to destroy the West may be little more than a fiction in the brains of the neoconservatives, who themselves may be a fiction in the brains of liberals. But the threat does not come from a conspiracy or from an organization. It comes from individuals undergoing a traumatic experience that we do not fully understand—the experience of a *déraciné* Muslim confronting the modern world, and without the benefit of the two gifts of forgiveness and irony. Such a person is an unpredictable by-product of unforeseen and uncomprehended circumstances, and our best efforts to understand his motives have so far suggested no policy that would deter attacks.

What, then, should our stance be in this existential confrontation? I think we should emphasize the very great virtues and achievements that we have built on our legacy of tolerance and show a willingness to criticize and amend all the vices to which it has also given undue space. We should resurrect Locke's distinction between liberty and license and make it absolutely clear to our children that liberty is a form of order, not a license for anarchy and self-indulgence. We should cease to mock the things that mattered to our parents and grandparents, and we should be proud of what they achieved. This is not arrogance but a just recognition of our privileges.

We should also drop all the multicultural waffling that has so confused public life in the West and reaffirm the core idea of social membership in the Western tradition, which is the idea of citizenship. By sending out the message that we believe in what we have, are prepared to share it, but are not prepared to see it destroyed, we do the only thing that we can do to defuse the current conflict. Because forgiveness is at the heart of our culture, this message ought surely to be enough, even if we proclaim it in a spirit of irony.

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The Promise and Peril of the Freelance Economy

Self-employment has made America more productive, but at what cost to the self-employed?

Laura Vanderkam

When you say "entrepreneur," chances are you picture Bill Gates or Sam Walton, not Camille Noe Pagán, a new mom who lives in Brooklyn. Noe Pagán began her career as an editor at women's magazines. Then she looked at the dismal salary scale up the chain of command and had a realization: "I would be able to make more money and have more freedom as a freelancer." So in September 2004, she went to work for herself and promptly doubled her income, cranking out health and lifestyle articles for *Reader's Digest*, *Prevention*, and other publications. All was not perfect: one magazine waited 14 months to pay her for a story she wrote in a few weeks. Another demanded work a few days after she gave birth to her daughter: no maternity leave for freelancers! But four years into her entrepreneurial adventure, she appreciates being able to spend lots of time with her kid, and the extra cash is welcome, too.

A growing number of Americans are joining Noe Pagán. In New York City, one of the few municipalities that tracks self-employment carefully, there were 807,750 self-employed workers in 2006, according to new numbers from the comptroller's office. That's about a fifth of the roughly 4 million nongovernment jobs that existed in the city before the current financial crisis. (These days, after all the layoffs, the proportion may be even higher.) And of the 773,000 jobs that Gotham added from 1981 to 2006, a stunning 491,000 were people working for themselves, making self-employment the biggest source of job creation in the city.

The same trend seems to be playing out across the country, though the numbers are slippery, thanks to varying definitions of self-employment, people who hold multiple jobs, off-the-books work, and other factors. The Bureau of Labor Statistics says that the national self-employment rate—the proportion of total employment made up of the self-employed—has hovered between 7 and 9 percent since the 1970s, but according to the Census Bureau, the number of "non-employer businesses" (that is, one-person shops) rose from 15.4 million in 1997 to 20.8 million in 2006. Further, the U.S. Small Business Administration (SBA) reports, the country had 4.5 million businesses with fewer than four employees in 2005; the owners of these businesses have much in common with true solo workers.

That's a lot of people calling themselves boss—potentially 25 million in the 125-million-strong U.S. nongovernment workforce. Their proliferation raises broader questions. Who exactly are they? Is widespread self-employment good for the economy? And is it good for the self-employed themselves?

Entrepreneurs have long been American folk heroes, from Benjamin Franklin to the Google boys. In colonial times, the butcher, baker, and

Onetime magazine editor Camille Noe Pagán makes more money as a freelance writer and can spend more time with her daughter.

Photographs by Harvey Wang

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candlestick maker didn't punch anyone else's time clock. Then the Industrial Revolution changed the game and sent them to work at Tyson, Kraft, and GE. The trend reached its zenith in the Organization Man era of the 1950s, around the time that *The Man in the Gray Flannel Suit* hit theaters. "In the second half of the twentieth century, social scientists typically viewed self-employment as an obsolete remnant of past forms of economic organization," note Richard Arum and Walter Müller in *The Reemergence of Self-Employment*. "Its small-scale mode of production was expected to disappear under the dominating logic and competitive pressures of capital accumulation and mass production."

But then this inexorable march stopped. The self-employment rate, difficult to calculate though it is, seems to have bottomed out in the 1970s and then risen. Economists debate the reasons for this, but at least one is that businesses began to outsource heavily, increasing their efficiency by focusing on what they did best and shedding everything else. Today, corporations outsource report-generating to freelance writers, conference-organizing to event planners, and recruiting to independent headhunters. The outsourcing reduces companies' overhead and payroll-tax burden. Self-employed workers are responsible for paying their own taxes, usually quarterly. The companies also need fewer administrators and less office space.

Above all, firms that outsource work to freelancers or small businesses don't have to pay these contractors' health insurance, which has become astonishingly expensive. According to the Kaiser Family Foundation, the average annual premium for family coverage hit $12,680 in 2008. Companies are thus more eager to hire workers as independent contractors, who would never expect benefits, than as employees, who probably would. (Though businesses are usually not required to offer health insurance to their employees, Kaiser found that 99 percent of firms with more than 200 employees do.)

In theory, companies can't simply replace all their full-time employees with independent contractors. According to the IRS's website, the "general rule" is that you're an independent contractor if the person for whom you work has "the right to control or direct only the result" of your work, not "the means and methods of accomplishing the result." But that "general rule" seems made to be bent. "The world is changing way faster than the laws that regulate work have," notes Sara Horowitz, executive director of the Freelancers Union, a New York City–based advocacy group. "It's a mess out there. It's like the Wild West."

Until recently, for instance, writer Rachel Ament worked at the magazine *Quick & Simple* from 10 to 6 daily, though she was paid as an independent contractor. "My status as a freelancer really just means I don't get health insurance, even though I am working full-time on-site," she said at the time. Staff jobs were hard to come by: "It seems like these days, half of the people I know in magazines are on-site freelancers." Lots of people want to work in media, entertainment, and other creative fields, a fact that bids down the price of labor and makes it tempting for companies to see how flexible the independent-contractor definition can be.

While lean business models and the cost of benefits do conspire to push people off the corporate payroll, there are pull factors, too. For one thing, technology has slashed the barriers to starting a small business. For a few dollars a month, anyone can throw together a website advertising goods or services that will be instantly visible to the planet's 1.5 billion Internet users and far cheaper than the catalogs of yore. Also, the self-employed report higher levels of job satisfaction than other workers do, according to one 2004 study in the *Journal of Small Business Management*.

And as millions of parents like Noe Pagán have found, self-employment can accommodate personal demands far more easily than a traditional, inflexible nine-to-five cubicle job can. Economist Sylvia Ann Hewlett's 2002 book *Creating a Life* set the punditry buzzing with its discovery that 49 percent of corporate women earning more than $100,000 per year were childless at age 40. Less hyped was another finding:

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After leaving a PR firm to work for herself, Jill Goldstein soon had two full-time employees of her own.

that only 22 percent of comparably high-earning *self-employed* women were childless at that age.

The pull factors are stronger than they used to be. "Traditionally, self-employment has been countercyclical," points out Frank Braconi, the chief economist in the New York City comptroller's office. "When the economy went down—when wages and salaries went down—self-employment went up." That was evidence that "people were being forced into self-employment as a response to losing their paid, salaried jobs." But in New York City, at least, that has changed. "The increases in self-employment are not so countercyclical any more," he says. They're neutral—"which is indirect evidence that more of the self-employed today are self-employed through choice than was once the case."

The self-employed come in a variety of forms. A loose taxonomy might start with "soloists": purposefully independent workers who ply their trades for multiple clients. In Michigan, for instance, Lynne Meredith Schreiber began freelance writing and editing a decade ago because the publication she worked for paid a mere $26,000 per year. These days, she's making six figures as a marketing and communications consultant with her own business, Your People. "There have been times throughout the past decade when I have asked if I would be better off if I worked for somebody else," says Schreiber. But her answer every time is "no—the freedom, the possibilities, are just too compelling."

Not all soloists work in creative fields, of course. Old-fashioned Joe-the-Plumber types, electricians, and even physicians often work for themselves. While soloists sometimes bring in associates to take on extra work, or hire support staff, they're usually selling their expertise, so they tend to grow by raising their rates rather than expanding headcount or product lines.

Then there are the microbusiness owners: more traditional entrepreneurs who sell goods, rather than their services, and therefore don't face the same growth limits that soloists do. The ladies who make up the Austin Craft Mafia, a consortium of independent craft businesses in Texas, are good examples. Jenny Hart's Sublime

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Stitching sells hip embroidery patterns; Jennifer Perkins's Naughty Secretary Club sells handmade jewelry and home decor online.

A third category is "permalancers," who look a lot like traditional employees but are paid as independent contractors for business reasons. Rachel Ament is one. Another is Gene Solomon, a veteran New York City taxi driver. When he began driving in 1977, most cabbies were employees of big garages. Then in 1979, the city's Taxi and Limousine Commission (TLC) ruled that garages could remove drivers from the payroll and treat them as independent contractors—which the garages, seeing the upside of pushing benefits, taxes, and the risk of slow shifts on drivers, immediately did.

Now, three or four times a week, Solomon rents one of the city's 13,000 cabs from a garage. A 12-hour shift, from 5 PM to 5 AM, costs him $115 to $135 per night. He breaks even four to six hours into the shift; the rest is profit, though it's not much. One 1994 study by the TLC found that the average cabdriver's income was between $18,000 and $22,000; more recent estimates have put it at $25,000 to $30,000, "so far below the standards of American labor that it's a disgrace to the city," Solomon says. True, he likes being his own boss. But permalancers face the same risks and lack of benefits that soloists and microbusiness owners do—often without the creative and financial upsides.

The data show that self-employment does, on balance, benefit the economy. The mean earnings for the self-employed are higher than for people earning wages and salaries—in New York City, $59,390 versus $47,669. (The median earnings are lower, though; a few superstar entrepreneurs skew the average higher.) Also, according to one 2003 paper from economists John Baldwin and James Chowhan, self-employment pulled U.S. business-sector productivity up by 4.1 percent from 1987 to 1998. In theory, large organizations should be more productive than small ones because they can achieve economies of scale, but anyone who has sat through a 90-minute meeting watching colleagues jockey over who will respond to the client's e-mail knows that the theory doesn't always hold true.

Self-employment can also lead to larger-scale entrepreneurship, which creates jobs. After working at a New York public-relations firm for 12 years, Jill Goldstein decided to "jump off the ledge" and start J. Goldstein PR in 1998. The first project she landed was coordinating the U.S. launch of a then-unknown Australian children's band called the Wiggles. The Wiggles hit it big, of course, and so did Goldstein: she's still in business ten years later and now has two full-time employees. These are good jobs with salaries and benefits that wouldn't have existed if Goldstein hadn't chosen to work for herself. Some 12.8 million Americans work for businesses with one to nine employees, the SBA reports; even not counting one employed owner for each of these firms, you still have well over 7 million jobs created by extremely small enterprises.

In addition to being an engine of job creation, self-employment may reduce some of the labor market's inefficiency. Companies tend to keep people on the payroll even when they aren't needed because it's hard to scale down. Independent contractors and soloists, on the other hand, can be engaged on demand, and each new project can be a new negotiation.

The rise in self-employment even leads to more flexibility in how people use space, since many people work from home in the self-employed economy. Marci Alboher, who until recently wrote the Shifting Careers column for the *New York Times*, is one of many independent workers in her Manhattan apartment building. The companies that purchase their services get to spend less on pricey commercial office space. The workers don't have to commute, which gives them more time to work and cuts down on pollution as well. "Having a lot of self-employed people affects what a neighborhood feels like," Alboher adds; for instance, people can shop for groceries at all hours, cutting down on the 6 PM crush.

Not all the economic news is good, though. Self-employment makes it easier for people to avoid paying taxes, because in many cases income is neither reported nor subject to withholding; the plumber paid in cash, for instance, may never inform the government of this transaction.

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An IRS study of 2001 tax returns randomly selected for auditing concluded that around the country, an astonishing 57 percent of nonfarm sole-proprietor income went unreported—amounting to $68 billion in uncollected taxes.

Self-employment also carries costs for the independent workers themselves. Their greatest problem is health insurance. During World War II, firms stuck with wage freezes doled out health insurance in lieu of cash. The tax code cemented the new relationship between employers and insurance, as did the simple reality that health insurance worked best by spreading risk over many people. When you come as an individual to buy health insurance, there is a "moral hazard"—the company wonders if you are buying insurance because you've just discovered that you're ill. As a result, the market for individual health insurance is fragmented and prone to policies that put low caps on coverage and exclude even minor preexisting conditions.

"The self-employed have trouble finding health insurance even when they're doing well financially."

This means trouble for the Noe Pagáns of the world. When she and her husband were both freelancing in Illinois, they paid nearly $1,000 per month in premiums; one reason he took a staff job recently was that adding their daughter would have been more expensive still. Though most self-employed people do have health insurance, the Agency for Healthcare Research and Quality reports that the self-employed are twice as likely as other workers to be uninsured. It's likely that part of the rise in the nation's uninsured—from 38.4 million in 2000 to 47 million in 2008, according to the Census Bureau—is due to rising self-employment.

The difficulties of health insurance can negate all the benefits of being your own boss. Dallas-based trucker Lyle Schiele used to own his own truck and contract with a major trucking company. He paid $760 per month for health insurance through that company. Then, in early 2006, after developing chest pains, he had two stents put in to unclog his arteries. As a result of his illness, he was medically disqualified from trucking for 90 days. Since he was a contractor, not an employee, he wasn't covered by COBRA, the law that allows workers to keep their insurance after losing a job as long as they pay the full cost. So he lost his health insurance. After becoming healthy enough to work again, he tried to find a new policy. But with a huge preexisting condition, no one would take him. He ultimately sold his truck and became an employee of Schneider National, a trucking firm that provides health insurance.

The self-employed have trouble finding insurance even when they're doing well financially. One 2008 Kaiser Family Foundation study found that of self-employed people who didn't have access to group health-insurance plans—usually through a spouse—only 58 percent of those earning a full 1,000 percent of the federal poverty level had health insurance. (Ten times the poverty level is over $200,000 for a family of four.) Sure, some of these well-to-do uninsured workers are gamblers unwilling to pay premiums. But some can only get insurance that requires them to pay a huge percentage of the bill, making the whole endeavor seem worthless. Others can't get coverage at all because of preexisting conditions.

What to do? The answer for many is to look to universal health insurance, and during the presidential campaign, Barack Obama had his sights set squarely on the self-employed when he proposed a guaranteed-issue public plan—with benefits similar to those available to members of Congress—that would be available to individuals and small businesses that wanted to buy in.

But a public plan is not the only option. Many self-employed people already use Health Savings Accounts—tax-free savings accounts tied to

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high-deductible insurance plans that Congress and President Bush created in 2003—to reduce their premiums. That's probably part of the reason why, as Canopy Financial's Health Savings Account Market Report mentions, HSA balances grew by nearly 20 percent in the second quarter of 2008. And plenty of freelancers are coming up with their own solutions. With no government help, some 19,000 independent workers have purchased health insurance through the Freelancers Union, which offers guaranteed-issue group-rate coverage in New York. A traditional plan runs $383 per month for individuals and $1,067 for families—almost exactly what the average corporation pays—and an extremely high-deductible plan can be had for $130 per month for individuals and $412 for families. "Freelancers in New York are in the exact same position they'd be in if they tried to purchase insurance through a large company," the Union's Horowitz says.

Some business groups in other states are starting to follow the Freelancers Union's example. There's no reason that such plans shouldn't exist in every state: though state governments may have to help set them up, the plans become better bets for insurance companies as more people buy in and can eventually become privately managed, like the Freelancers Union's. Indeed, since other states lack some of New York's expensive regulations, a national law letting people purchase health insurance across state lines could allow the self-employed to hunt for the best rates.

Another problem for self-employed workers is saving for retirement. While only about one in five private-sector workers has a traditional pension now, big companies usually kick in something to 401(k)s—a perk that the self-employed lack. Social Security, too, is burdensome to self-employed workers, who must pay both the employer and employee parts of the Social Security tax—a full 12.4 percent on the first $102,000 of their earnings.

Independent contractors also have no access to unemployment benefits, since in almost all states, those benefits are funded through employer-paid taxes. In a 2006 online survey, the Freelancers Union found that 79 percent of self-employed, part-time, and temporary workers would be willing to buy into their state unemployment insurance systems. States could look into the idea, though defining unemployment for freelancers would admittedly be tricky.

Of course, the fact that so many freelancers would pay a tax to do something they could do by themselves—save to cover a rainy day—speaks to another reality. Unlike the traditional entrepreneur taking big risks to get rich, a lot of America's modern independent workers—the permalancers in particular—are uncomfortable figuring out how to cope with risk on their own.

Their discomfort may have an impact on their voting. Historically, the self-employed have pulled the lever for Republicans, concerned about such standard business-owner worries as strict regulations and high taxes. But these days, fewer and fewer middle-income Americans are paying taxes; the Tax Foundation reports that households paying no federal income tax rose from 21 percent in 1990 to 33 percent now, and would rise to 44 percent under Obama's proposed plan. As some of the self-employed leave the tax rolls, they will lose one reason to vote Republican. Many will also have a reason to vote Democrat: health insurance. "Several of my friends, once die-hard Republicans, have begun to lean left since working for themselves or for a small company," says Noe Pagán. "There's nothing like a lack of health insurance to change your point of view."

It seems paradoxical that a rise in self-employment might create a constituency for bigger government, but the modern economy is shaking up many old alliances. When a demographic is diverse enough to contain both Bill Gates and a Brooklyn mom, both a Dallas trucker and a top Manhattan publicist, allegiances will be a bit muddled. What is clear is that as the Republican Party struggles to fight its way out of the political wilderness, it can't take today's entrepreneurs for granted. ▪

Sara Horowitz's innovative Freelancers Union provides health insurance to nearly 20,000 independent workers in New York.

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George Washington Patrols the Pacific

Anchored by its nuclear-powered carrier, the Seventh Fleet protects global trade.

Guy Sorman

On a gorgeous morning this autumn, at Yokosuka, south of Tokyo, I was expecting a huge popular demonstration, maybe even a riot. The U.S. aircraft carrier *George Washington* was about to enter Yokosuka's harbor, the base of the Seventh Fleet in the Pacific. Never before had a nuclear-powered vessel been based in Japan. It was a clear demonstration of how the U.S. was reinforcing its presence in this part of the world—a danger zone, with China, Korea, Taiwan, and Japan itself, all historical rivals, ranged around it. Japan has a long tradition of pacifist, antinuclear, and anti-American protests, and until now, the only country to have been bombed with nuclear weapons had always opposed hosting nuclear ships.

Yet no riot erupted; in fact, there was no trace of protest. Yokosuka was quiet. The only crowd on hand was on the base: 1,000 Japanese—mostly local dignitaries, politicians, and representatives of the Japanese Navy—joined a group of American officials to attend the majestic and complex maneuver of the *George Washington* from the high seas to the pier.

Speeches were numerous. The American speakers—ambassador to Japan J. Thomas Schieffer, Secretary of the Navy Donald Winter, and a number of admirals—predictably lavished praise on U.S.-Japanese friendship and expressed their commitment to peace in the Pacific. The surprise came from the Japanese side. Yokosuka's mayor, Ryoichi Kabaya, said that while the Japanese had felt some initial reluctance about hosting a nuclear-powered ship in the port city, they had eventually concluded that the *George Washington* posed no safety threat. Japan's newly appointed foreign affairs minister, Hirofumi Nakasone, was even more enthusiastic. He declared that no better friends existed on earth than Japan and America and that their alliance was the cornerstone of peace and prosperity in Asia. I wondered if the good feelings hadn't received a boost from the recent rekindling of the North Korean nuclear program.

No pirates in these waters: the USS *George Washington* heads for Yokosuka, Japan.

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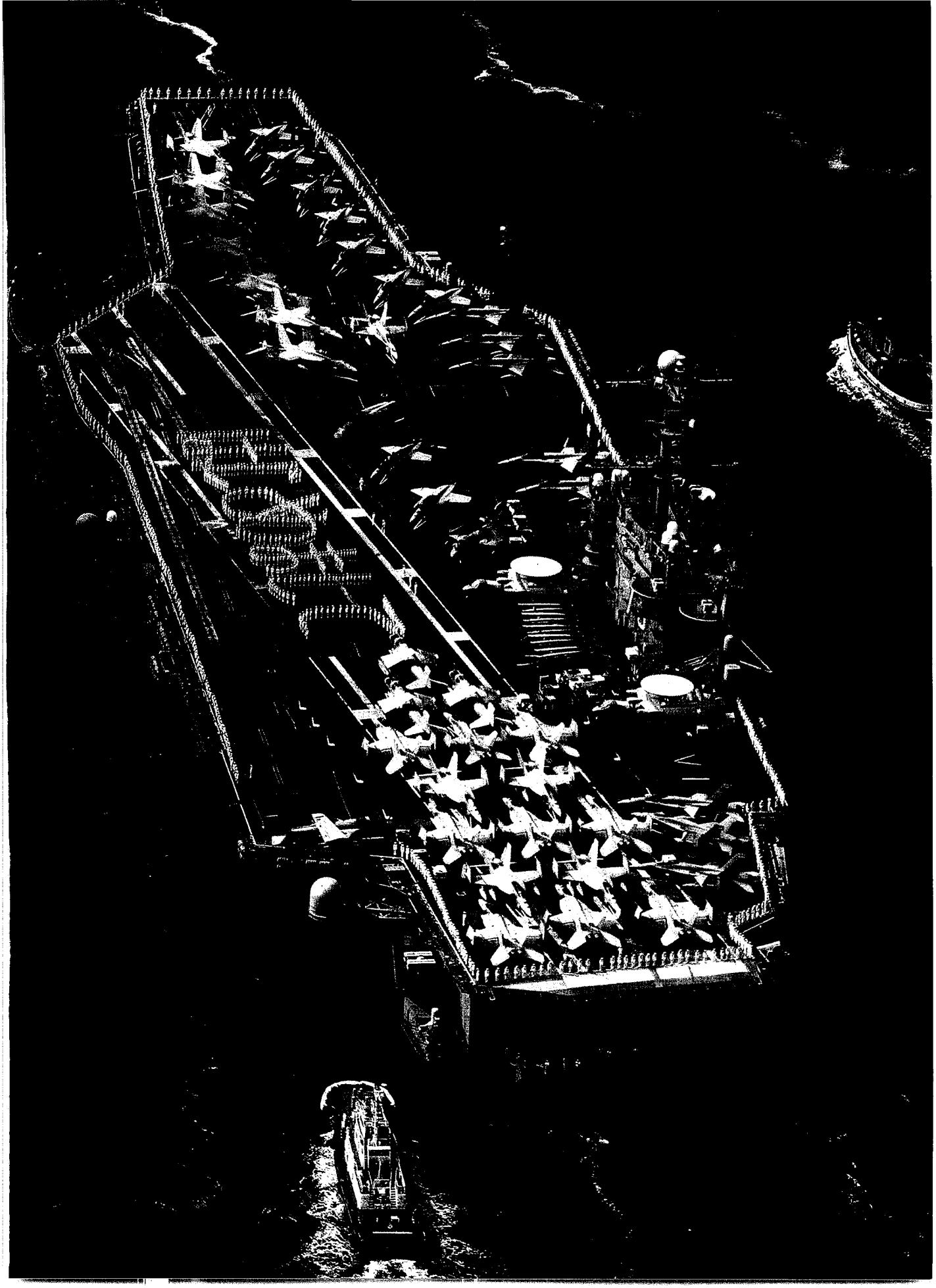

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The *George Washington* eventually reached the pier. Following a Navy tradition, the first men to come ashore were fathers whose children were born in Japan while they were away at sea. Several family reunions ensued, demonstrative enough to embarrass the reserved Japanese.

"The purpose of the Navy," Vice Admiral John Bird, commander of the Seventh Fleet, tells me, "is not to fight." The mere presence of the Navy should suffice, he argues, to dissuade any attack or attempt to destabilize the region. From Yokosuka, Guam, and Honolulu, the Navy is sending its ships on missions to locales as far away as Madagascar. On board the *Blue Ridge*, the vice admiral's command ship anchored at Yokosuka, huge display screens allow officers to track the movements of any country's military vessels cruising from the international date line in the east to the African coast in the west—the range of the Seventh Fleet's zone of influence.

How dangerous and unstable would Asia become without the Seventh Fleet? The Navy points to two different threats. The first is China, which has territorial claims against most of its neighbors. Taiwan comes immediately to mind, of course, but the Chinese government is also disputing ownership of the oil-rich Spratly Islands with Vietnam and the Philippines. If North Korea were to collapse, moreover, the Chinese Army could take over its territory before South Korea or the U.S. had time to intervene. China is building a very large deepwater fleet—the first in its history. (South Korea and Japan are similarly increasing their naval power.) Thus far, this Chinese fleet seldom moves far from China's territorial waters, something that surprises the Seventh Fleet leadership. The lack of a high-seas tradition, perhaps?

The other peril comes from Islamic terrorism: a loose network of al-Qaida affiliates operating in East Java, northern Sumatra, the southern Philippines, and southern Thailand. The dream of an Islamic caliphate based in northern Sumatra, a revival of a former Arab kingdom, foments instability in Indonesia and the Philippines, both already shaky. U.S. Special Forces are active in the region, especially in Mindanao.

"We have to project simultaneously our hard power and our soft power," Bird says. The Seventh Fleet's missions are often humanitarian, taking care of local medical or infrastructure problems. The largest recent effort of this kind took place in the aftermath of the 2005 tsunami that devastated Indonesian and Thai coastal areas. "The image of the U.S. in Indonesia has been transformed by our intervention there," Bird observes. "Suddenly, Indonesians, who had never met real Americans before, saw the U.S. as a compassionate and helpful nation."

Friendship is also growing with India. After some 50 years of "neutrality," including a long pro-Soviet period, India has become a strong American ally, thanks to the active diplomacy of Bill Clinton and George W. Bush. "We were surprised to discover our common background," notes Bird. The American and Indian navies share a British maritime culture, which made joint operations smooth. India now seems as committed as Japan to an alliance with the U.S.—and as uneasy about China; India also finds itself more destabilized daily by domestic Islamic radicals.

For a stark example of what the region would be like without the American presence, look at the piracy occurring these days along the Somali coast, an area that America does not patrol. Pirates hijack and ransom tankers, interrupting the flow of oil, increasing insurance premiums, and ultimately raising the price of gas. In the Pacific, however, pirates act cautiously or not at all because they know that the Seventh Fleet is never far off.

In the long run, says Bird, regional conflict in the Pacific could even disappear, thanks to expanded global trade. But the presence of the Seventh Fleet is exactly what makes global trade possible here—and no other country has the power and the inclination to do it. The ultimate role of the U.S. Navy, the vice admiral concludes, is to keep the channels of commerce and communication open and safe, just as the British Navy did in the nineteenth century. "I am a disciple of Adam Smith," he says wryly. "Peace can be reached by free trade, but free trade requires that the sea be policed by a strong navy."

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Slums of Hope

For displaced peasants, the world's vast urban ghettos are a gateway to a better future.

Howard Husock

Close to 120 years have passed since Jacob Riis published *How the Other Half Lives: Studies Among the Tenements of New York*. Using stereoscopic camera, magnesium flash powder, and riveting language, the Danish-born onetime crime reporter seared bleak, iconic images of New York's low-income neighborhoods into the American consciousness. Though today Riis is almost universally celebrated—new biographies continue to appear—he helped set housing policy on a course that would prove tragically misguided. In particular, he inspired a range of government policies that viewed slums as bleak wastelands that transformed their residents into paupers and criminals and therefore had to be radically changed or eradicated.

The problems that Riis and the housing-reform movement sparked are still relevant today, since slums, unlike many ills that worried nineteenth-century social reformers, remain very much with us. Indeed, their scale in the developing world dwarfs that of Riis-era New York. The United Nations estimates that in 2001, 924 million people, or 31.6 percent of the world's urban population, lived in slums; the number today surely exceeds 1 billion. As *Planet of Slums* author Mike Davis writes, residents of the new slums constitute the "fastest-growing and most unprecedented social class on earth."

The harrowing descriptions of the conditions in Third World slums in a tide of recent books on the subject, including Davis's, are in the Riis tradition. But the books' overall assessments and reform prescriptions often are decidedly not. A relative consensus has formed about how best to address the new slums' problems, and surprisingly, it appreciates what the UN calls the "positive" elements of slum life, shaped by a population characterized not as oppressed and helpless but as resourceful and creative. Journalist

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Robert Neuwirth, for instance, extols slums as places where "squatters mix more concrete than any developer. They lay more brick than any government. They have created a huge hidden economy. . . . [They] are the largest builders of housing in the world—and they are creating the cities of tomorrow." In keeping with this encouraging trend, the UN even describes the Third World's informal settlements as "slums of hope."

What, exactly, are slums? Some, especially in the developed world, are once-affluent neighborhoods gone to ruin; others were once public housing. But most are gigantic, tightly packed concentrations of flimsy shacks and shanties that rural migrants have built on the outskirts of cities—what the UN calls "vast informal settlements that are quickly becoming the visual expression of urban poverty."

Most of these settlements are in the developing world. Of the 924 million slum dwellers worldwide in 2001, 554 million lived in Asia, in such cities as Mumbai and Kolkata in India and Karachi in Pakistan. Another 187 million lived in Africa, in places like Cairo, Durban, Johannesburg, and Nairobi. And 128 million lived in Latin America and the Caribbean (famously, in the *favelas* of Rio de Janeiro and São Paulo). Only 54 million were in developed countries.

The UN blames the massive migrations from rural areas either on population growth that the countryside cannot sustain or on economic prescriptions said to emphasize commercial agriculture over small farming, thus driving the poor off the land. Whatever the cause, this "urbanization of poverty" has resulted in the large-scale erection of primitive forms of shelter, either on public land or on private land owned by absentee landlords. Water, sanitation, and other utilities are usually lacking, making the incredible overcrowding even harder to bear.

One doesn't forget visits to such places. When, during the late apartheid era, I traveled through black townships outside the beautiful seaside city of Port Elizabeth, South Africa, I met families living in what reportedly were converted Boer War–era British-built huts with dirt floors. Water poured only from a communal tap, and there was no electricity. UN official Naison Mutizwa-Mangiza recalls his first trip to Nairobi's Kibera, Africa's largest slum and home to 700,000: "There is the poor physical quality of the environment, overcrowding, houses so close together, tin-roofed, walls often of mud, with just a very small window. But it is the smell from lack of sanitation that hits you in the face. You have to jump over numerous small trickling drains, filthy and filled with smelly water mixed with other types of waste, including feces. There are no toilets; people use plastic bags in the night for defecation and then throw these out in surrounding dumps and streams."

Riis's Manhattan, even at its roughest, was never that squalid. True, some 20,000 shacks once squatted on the site of what became Central Park. And certainly the Lower East Side was terribly crowded. But even the worst Orchard Street tenements were actual buildings, not tin-roofed shanties with dirt floors.

For Riis, the slum's biggest problem wasn't population density, lack of sunlight, or even disease. It was what it did to the character of its residents. Slums were "nurseries of pauperism and crime that fill our jails and police courts; that throw off a scum of forty thousand human wrecks to the island asylums and workhouses year by year; that turned out in the last eight years a round half a million beggars to prey upon our charities . . . because, above all, they touch the family life with deadly moral contagion." The "contagion," Riis warned, included a lack of "domestic privacy"—meaning the potential exposure of children to adult sexuality. "His entire book," writes Daniel Czitrom in *Rediscovering Jacob Riis*, "could be read as a plea for understanding how the tenement environment itself deformed character." The slum dweller's grim surroundings kept him from developing bourgeois virtues.

This "environmental determinism," as housing historian Alexander von Hoffman calls it, led

In the *favelas* of São Paulo, the World Bank is making incremental improvements, like sewers and potable water.

MARIE HIPPENMEYER/AFP/GETTY IMAGES

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reformers to try to improve the behavior and prospects of the poor by replacing the slum environment altogether. A better living environment, it was felt, would produce better people. Riis himself promoted the "model tenement": privately built apartments for the poor, constructed to higher standards made possible by investors' willingness to forgo normal profits. No wonder Riis has wound up cast in the company of heroic reformers of the Gilded Age and early Progressive Era, such as Upton Sinclair and Ida Tarbell. In his new biography, Tom Buk-Swienty gushes: "Riis forced Americans to confront the squalor of immigrant conditions, and he demanded that those immigrants not be treated as second- or third-class citizens."

But this uncritical view ignores how Riis's environmental determinism led, gradually but inexorably, to the advent of large-scale public housing, which would have destructive unintended consequences. Public authorities and idealistic architects would demolish the slums and replace them with publicly financed and operated buildings that—or so it was hoped—would uplift, not degrade, by providing a clean, cheerful, well-lit environment.

With terrible irony, the replacement housing itself gradually became a blighted locus of social problems, but for seldom-understood reasons. Conventional wisdom still blames the projects' design mistakes (the high-rise architecture criticized by Jane Jacobs and Oscar Newman) and so-called concentration of poverty. So the government keeps looking for the public-housing philosopher's stone. HOPE VI projects, pushed by the Clinton administration (and perhaps to be revived by President Obama), replaced "distressed" public housing and mixed the middle class and the poor in indistinguishable townhouses. HUD's Moving to Opportunity program uses housing vouchers to relocate public-housing residents to middle-class suburban neighborhoods. Such approaches still assume that an improved environment—one where poor families have both sufficient amenities and better neighborly examples to emulate—will somehow inspire uplift, and thus they continue the Riis reform impulse.

All such bestowed benefits, however, turn out to discourage beneficiaries from behaving constructively—saving money and accumulating assets, say, or making the prudent life choices, such as marriage and education, that truly help households "move up" to better neighborhoods. In other words, improved housing is an *effect*, not a *cause*, of the bourgeois virtues that Riis held dear.

That so many Americans could rise from slums into the middle class shows, moreover, that the Lower East Side was filled with such virtues. The neighborhood was a beehive of effort, including that of immigrant entrepreneurs who built and ran apartment buildings. In Riis's book, writes Czitrom, "the complex day-to-day negotiations and textured lives of tenement dwellers simply disappear into a riot of pathology." Czitrom quotes historian Jared Day, who described "the tenants who scraped together small sums to buy leases; they were the grocers, butchers, boarding house keepers and barbers who pooled their resources . . . and they were the immigrant bankers . . . who took the savings of average ethnic workers and invested them in local housing." In Riis's view, "the tendency of the tenements and of their tenants is all the time, and rapidly, downward," as he wrote in *How the Other Half Lives*. But in a dynamic economy, it turned out, he had things exactly wrong. New York's Tenement House Museum now refers to its historic building, tellingly, not as slum housing but as an "urban log cabin"—a starting point for upward mobility.

This is also how we should think of the sprawling new slums of the developing world: not as doomed, deforming environments but as the low-cost housing built for (and by) displaced, formerly rural, people drawn into the modern urbanized economy and energetically aspiring to a better life.

In Hong Kong—hardly impoverished but a powerful magnet for China's rural poor—I was once taken to the top of one of the city's ubiquitous four-story apartment buildings. There I found one of Hong Kong's 50,000-plus "unauthorized building works": three tiny boxes housing families that stole electricity from the floors

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below. In the event of a stairwell fire, they could escape this high-rise shantytown only by jumping off the roof. But aspiration was abundantly evident, too: I saw school uniforms neatly laid out on tiny mattresses and a kitchen table with a hot plate. In the South Africa township that I visited, similarly, one saw plenty of shacks, but also larger, self-built homes with their own Honda electric generators.

The Economist captured this atmosphere of activity and hope in a December 2007 article about Dharavi, a Mumbai slum. Dharavi had "maybe a million residents crammed into a square mile of low-rise wood, concrete and rusted iron," yes, but its residents were also "thriving in hardship." Small "hutment" factories, for instance, exported leather belts directly to Wal-Mart. Dharavi, the magazine observed, was "organic and miraculously harmonious. . . . intensely human." The FinMark Trust, a South African housing think tank, has found no fewer than 335,000 businesses in one Johannesburg slum, one in seven home-based. They include everything from hairdressers and bars to welders and furniture makers.

"These informal sprawls may well prove to be a source of new products—and improvements of existing products."

These informal sprawls, for all their problems, may well prove to be a source of new products—and refinements and improvements of existing products—helping to fire future economic growth. Jane Jacobs envisioned this transformative churning in her landmark book *The Economy of Cities*—a process in which the poor, making the best of their circumstances, create substitutes for expensive imports and eventually develop superior products for export.

Happily, the debate about slums is no longer dominated by the project of replacing or eradicating them—in fact, that approach has become politically incorrect. "There is no drive to replicate the bureaucratic welfare-state housing-policy approaches of the mid-twentieth century," observes Columbia University's Elliott Sclar, a lead author of the UN's 2005 *Improving the Lives of Slum Dwellers*. Even the Harvard Graduate School of Design—once led by followers of the architect Le Corbusier, the father of high-rise public housing—sponsored an approving exhibit last winter on the "nonformal cities of the Americas."

Policy has shifted toward improving slum conditions incrementally, helping residents gradually become better off, even if still living within the slums. South Africa's Reconstruction and Development Programme, for instance, has subsidized over 1 million modest, 344-square-foot single-family structures that families own and, over time, are expected to improve. The World Bank, too, whose work in developing countries long emphasized grand infrastructure projects like dams and bridges, is now financing modest but significant improvements in the world's informal settlements. In Brazil's *favelas*, it helped some 900,000 people obtain "potable water piped directly into their homes," and about 1 million receive sewer services. Cost: just $84 per capita. Similarly, the bank has invested $192 million in the Mumbai slums to build privately managed pay toilets, used by more than 400,000 people. The UN's Top Ten list of "slum upgrading actions" ranks "installing or improving basic infrastructure" first and makes no reference to government-subsidized replacement housing.

The incremental approach mitigates the risk of the kind of dependency that welfare states had unwittingly fostered in the poor in the past. After all, cities provide regular neighborhoods with sewage and water systems, too, so giving slums such services doesn't give their residents an incentive to stay put. Further, incrementalism doesn't undermine slum dwellers' sense of personal agency. Living in a shanty that you can call your own and improve over time is preferable

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to moving into a spirit-killing welfare-state Potemkin village of "affordable housing."

Those who see potential, not hopeless degradation, in the world's new slums do disagree on something important. Does slum dwellers' upward mobility depend on their actually owning their houses? Or will they eventually prosper if they're simply granted the formal right to stay—but not to sell?

The second option is known as "security of tenure." "It doesn't matter whether you give people title deeds or secure tenure," writes proponent Robert Neuwirth in *Shadow Cities: A Billion Squatters, a New Urban World*. "People simply need to know they won't be evicted." As Sclar observes, "secure tenure" would make it easier for slum dwellers to join the formal labor force, knowing that they aren't at risk of arbitrarily being forced from their homes and that their possessions will still be there when they come home from work. But Neuwirth's skepticism of Western-style property rights runs deep. He offers such Marxoid assertions as: "When property becomes a commodity—simply a means of making money—we have begun the process that leads to homelessness and abandonment of the social contract to care for each other."

The most influential work about the new slums, the Peruvian economist Hernando de Soto's *The Mystery of Capital*, published in 2000, takes the ownership side of the debate, underscoring the limits of security of tenure. De Soto argues that the "surprise revolution"—the movement of millions from the countryside to cities—has been choked in its potential for uplift not because slum dwellers lack talent or energy but because the legal systems in their new locales don't allow them to be secure in ownership and accumulate wealth. New arrivals in slums, de Soto explains, face "an impenetrable wall" of rules that bar them from "legally established social and economic activities." Even when they begin to accumulate assets, those assets aren't safe. "Poor people save, but they hold these resources in defective forms: houses built on land whose ownership rights are not adequately recorded and unincorporated businesses with undefined liability." Without the formal legal institutions that allow one to accumulate wealth and borrow against it to build businesses, wealth cannot be put to full use, maintains de Soto. It stays locked up, frozen. It is "dead capital."

The logical solution, de Soto argues, is to bestow property on slum dwellers, a reform effort that has shown promise. A major "titling" program in Peru—the largest in the developing world—has issued 1.2 million property titles to poor urban households. The program has already had more immediate benefits: a study by the Harvard economist Erica Field concluded that it led to a "substantial increase in labor hours, a shift in labor supply away from work at home to work in the outside market and substitution of adult for child labor. For the average squatter family, granting of a property title is associated with a 17 percent increase in total household work hours. . . . [and] a 28 percent reduction in the probability of child labor."

SAJJAD HUSSAIN/AFP/GETTY IMAGES

There are reasonable objections to titling. Is it fair for those who seized government land—or, worse, someone else's private property—to be rewarded with a property title? Nor is ownership easy to disentangle. "How do you allocate titles within the dense fabric of Rocinha or Kibera?" Neuwirth writes. "Who should get title to each parcel? The family that built the house? The woman who bought it from them?

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Small "hutment" factories in bustling Dharavi, a huge slum in Mumbai, export leather belts directly to Wal-Mart.

The tenants who rent there? The man who owns his two-story home but sold his roof rights to a friend, who built two stories and sold his roof rights to someone to build an additional two stories?"

Still, given the Peruvian evidence, it is dispiriting that the UN hasn't endorsed some kind of system of defined, enforceable property rights as a key to both slum improvement and overall economic development. Investing in

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improvements whose arbitrary loss they need not fear—and whose value they may someday capture through sale—can help slum dwellers move to bigger and better homes. And a property-rights regime isn't just about owner-occupied homes, either. One of the time-honored ways in which property rights support upward mobility is allowing small landlords to acquire and maintain rental property as part of their own march toward affluence. A property-rights regime would be good, then, for both owners and renters in the slums.

Yet property rights and land title may not mean much in societies lacking developed financial institutions, including "mortgage lenders willing and able to go down market," as the FinMark Trust's Kecia Rust points out. And fostering those institutions—others include honest courts and a reliable and straightforward business-licensing process—is no simple matter. For mortgages, the value of slum buildings may not be well established, rendering them difficult to sell. Further, since many slum dwellers work in informal employment, their ability to repay home or business loans may not be obvious to potential lenders.

But Habitat for Humanity has found proxies for a steady paycheck that can indicate a household's creditworthiness—regular payment of utility bills, say, and even regular church attendance. The explosion of microfinance lending, which has extended capital markets to the very poor, also points a way. In Latin America, the nonprofit Acción Internacional has used a model in which neighbors vouch for one another and are liable collectively for missed payments.

Rust envisions a potentially bright housing picture. Owners of extremely modest starter homes might borrow small amounts to improve them as the first link in a chain of entrepreneurial activity, leading not only to ownership of much larger homes but to becoming "an investor, providing housing for other low-income earners" and earning "income for retirement." Already, the FinMark Trust has found, "small scale landlords provide accommodation for 1.85 million households across South Africa." This is a great leap forward from twentieth-century housing-reform thinking, which presumed that only external benevolence could help slum dwellers.

Nevertheless, Rust's concern about the absence of reliable financial systems is a serious caution. Even if property rights are granted in the new slums, what will happen if such systems do not emerge? Mike Davis explores that dark scenario in his pessimistic *Planet of Slums*. In Davis's view, the emergent slums simply perpetuate inequality. Their small businesses are a bare alternative to outright begging. Their hustle and bustle are a war of all against all, sparked by the oppressive Western economic prescriptions that have driven the Third World poor away from agriculture. And their denizens could provide the shock troops for an armed uprising, like the 1993 attacks on U.S. troops in Mogadishu by "slum militias."

One wishes that such portrayals could be easily dismissed. But unless informal slum economies can be brought under the rule of law and integrated into broader national and global markets, the gloomier forecasts about the future of the slums may prove right. Above all, the developed world must not choke off slums' already scant incomes by erecting barriers against the products of the developing world.

So the good news is that this generation's heirs to Jacob Riis seem to be avoiding the mistakes that he inspired. One piece of evidence that the popular view of slums (and slum dwellers) is changing: the surprise success of the new film *Slumdog Millionaire*, set in the shantytowns of Mumbai. Not only does the movie tell the story of the hero's rise from the bottom; his success—in a TV quiz show—is the result of what he's learned from the slums, not from school. A romantic view, true—it's a romantic movie—but also a long way from Riis.

Improving the world's new slums will require many institutions—Third World governments, international aid organizations, and Western nations and do-gooders—to get many policies right, from encouraging property rights to building a civil society to maintaining free trade. That, in the end, is what the slums—and we—must hope for. ■

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The DNA of Politics

Genes shape our beliefs, our values, and even our votes.

James Q. Wilson

Children differ, as any parent of two or more knows. Some babies sleep through the night, others are always awake; some are calm, others are fussy; some walk at an early age, others after a long wait. Scientists have proved that genes are responsible for these early differences. But people assume that as children get older and spend more time under their parents' influence, the effect of genes declines. They are wrong.

For a century or more, we have understood that intelligence is largely inherited, though even today some mistakenly rail against the idea and say that nurture, not nature, is all. Now we know that much of our personality, too, is inherited and that many social attitudes have some degree of genetic basis, including our involvement in crime and some psychiatric illnesses. Some things do result entirely from environmental influences, such as whether you follow the Red Sox or the Yankees (though I suspect that Yankee fans have a genetic defect). But beyond routine tastes, almost

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everything has some genetic basis. And that includes politics.

When scholars say that a trait is "inherited," they don't mean that they can tell what role nature and nurture have played in any given individual. Rather, they mean that in a population—say, a group of adults or children—genes explain a lot of the differences among individuals.

There are two common ways of reaching this conclusion. One is to compare adopted children's traits with those of their biological parents, on the one hand, and with those of their adoptive parents, on the other. If a closer correlation exists with the biological parents' traits, then we say that the trait is to that degree inherited.

The other method is to compare identical twins' similarity, with respect to some trait, with the similarity of fraternal twins, or even of two ordinary siblings. Identical twins are genetic duplicates, while fraternal twins share only about half their genes and are no more genetically alike than ordinary siblings are. If identical twins are more alike than fraternal twins, therefore, we conclude that the trait under consideration is to some degree inherited.

Three political science professors—John Alford, Carolyn Funk, and John Hibbing—have studied political attitudes among a large number of twins in America and Australia. They measured the attitudes with something called the Wilson-Patterson Scale (I am not the Wilson after whom it was named), which asks whether a respondent agrees or disagrees with 28 words or phrases, such as "death penalty," "school prayer," "pacifism," or "gay rights." They then compared the similarity of the responses among identical twins with the similarity among fraternal twins. They found that, for all 28 taken together, the identical twins did indeed agree with each other more often than the fraternal ones did—and that genes accounted for about 40 percent of the difference between the two groups. On the other hand, the answers these people gave to the words "Democrat" or "Republican" had a very weak genetic basis. In politics, genes help us understand fundamental attitudes—that is, whether we are liberal or conservative—but do not explain what party we choose to join.

Genes also influence how frequently we vote. Voting has always puzzled scholars: How is it rational to wait in line on a cold November afternoon when there is almost no chance that your ballot will make any difference? Apparently, people who vote often feel a strong sense of civic duty or like to express themselves. But who are these people? James Fowler, Laura Baker, and Christopher Dawes studied political participation in Los Angeles by comparing voting among identical and fraternal twins. Their conclusion: among registered voters, genetic factors explain about 60 percent of the difference between those who vote and those who do not.

A few scholars, determined to hang on to the belief that environment explains everything, argue that such similarities occur because the parents of identical twins—as opposed to the parents of fraternal twins—encourage them to be as alike as possible as they grow up. This is doubtful. First, we know that many parents make bad guesses about their children's genetic connection—thinking that fraternal twins are actually identical ones, or vice versa. When we take twins' accurate genetic relationships into account, we find that identical twins whom parents wrongly thought to be fraternal are very similar, while fraternal twins wrongly thought to be identical are no more alike than ordinary siblings.

Moreover, studying identical twins reared apart by different families, even in different countries, effectively shows that their similar traits cannot be the result of similar upbringing. The University of Minnesota's Thomas Bouchard has done research on many identical twins reared apart (some in different countries) and has found that though they never knew each other or their parents, they proved remarkably alike, especially in personality—whether they were extroverted, agreeable, neurotic, or conscientious, for example.

Some critics complain that the fact that identical twins live together with their birth parents, at least for a time, ruins Bouchard's findings: during this early period, they say, parenting

RADEK PIETRUSZKA/EPA/CORBIS

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Studies of identical twins, like Polish president Lech Kaczyński, right, and former prime minister Jaroslaw, . . .

must influence the children's attitudes. But the average age at which the identical twins in Bouchard's study became separated from their parents was five months. It is hard to imagine parents teaching five-month-old babies much about politics or religion.

The gene-driven ideological split that Alford and his colleagues found may, in fact, be an underestimate, because men and women tend to marry people with whom they agree on big issues—assortative mating, as social scientists call it. Assortative mating means that the children of parents who agree on issues will be more likely to share whatever genes influence those beliefs. Thus, even children who are not identical twins will have a larger genetic basis for their views than if their parents married someone with whom they disagreed. Since we measure heritability by subtracting the similarity among fraternal twins from the similarity among identical ones, this difference may neglect genetic influences that already exist on fraternal twins. And if it does, it means that we are underestimating genetic influences on attitudes.

When we step back and look at American politics generally, genes may help us understand why, for countless decades, about 40 percent of all voters have supported conservative causes, about 40 percent have backed liberal ones, and the 20 percent in the middle have decided the elections. On a few occasions, the winning presidential candidate has won about 60 percent of the vote. But these days we call a 55 percent victory a "landslide." It is hard to imagine a purely environmental force that would rule out a presidential election in which one

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. . . show that 40 percent of our political views have a genetic component.

candidate got 80 percent of the vote and his rival only 20 percent. Something deeper must be going on.

All of this leaves open the question: Which genes help create which political attitudes? Right now, we don't know. To discover the links will require lengthy studies of the DNA of people with different political views. Scientists are having a hard time locating the specific genes that cause diseases; it will probably be much harder to find the complex array of genes that affects politics.

There are problems with the observed link between genes and politics. One is that it is fairly crude so far. Liberals and conservatives come in many varieties: one can be an economic liberal and a social conservative, say, favoring a large state but opposing abortion; or an economic conservative and a social liberal, favoring the free market but supporting abortion and gay rights. If we add attitudes about foreign policy to the mix, the combinations double. Most tests used in genetic studies of political views do not allow us to make these important distinctions. As a result, though we know that genes affect ideology, that knowledge is clumsy. In time, I suspect, we will learn more about these subtleties.

Further, it's important to emphasize that biology is not destiny. Genetic influences rarely operate independently of environmental factors. Take the case of serotonin. People who have little of this neurotransmitter are at risk for some psychological problems, but for many of them, no such problems occur unless they experience some personal crisis. Then the combined effect of genetic influences and disruptive experiences will trigger a deep state of depression, something that does not happen to people who either do not lack serotonin or who do lack it but

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encounter no crisis. Recently, in the first study to find the exact genes that affect political participation, Fowler and Dawes found two genes that help explain voting behavior. One of the genes, influencing serotonin levels, boosts turnout by 10 percent—*if* the person also attends church frequently. Nature and nurture interact.

The same is probably true of political ideology. When campus protests and attacks on university administrators began in the late 1960s, it was not because a biological upheaval had increased the number of radicals; it was because such people encountered events (the war in Vietnam, the struggle over civil rights) and group pressures that induced them to take strong actions. By the same token, lynchings in the South did not become common because there were suddenly more ultra-racists around. Rather, mob scenes, media frenzies, and the shock of criminal events motivated people already skeptical of civil rights to do terrible things.

"It's important to emphasize that biology is not destiny. Genes rarely operate independently of environmental factors."

Another challenge is politicized assessment of the genetic evidence. Ever since 1950, when Theodor Adorno and his colleagues published *The Authoritarian Personality*, scholars have studied right-wing authoritarianism but neglected its counterpart on the left. In his study of identical twins reared apart, Bouchard concludes that right-wing authoritarianism is, to a large degree, inherited—but he says nothing about the Left. This omission is puzzling, since as Bouchard was studying twins at the University of Minnesota, he was regularly attacked by left-wing students outraged by the idea that any traits might be inherited. A few students even threatened to kill him. When I pointed this out to him, he suggested, in good humor, that I was a troublemaker.

Yet if you ask who in this country has prevented people from speaking on college campuses, it is overwhelmingly leftists. If you ask who storms the streets and shatters the windows of Starbucks coffee shops to protest the World Trade Organization, it is overwhelmingly leftists. If you ask who produces campus codes that infringe on free speech, it is overwhelmingly leftists. If you ask who invaded the classroom of my late colleague Richard Herrnstein and tried to prevent him from teaching, it was overwhelmingly leftists.

A better way to determine if authoritarianism is genetic would be to ask people what the country's biggest problems are. Liberals might say the inequality of income or the danger of global warming; conservatives might indicate the tolerance of abortion or the abundance of pornography. You would then ask each group what *they thought* should be done to solve these problems. An authoritarian liberal might say that we should tax high incomes out of existence and close down factories that emit greenhouse gases. A conservative authoritarian might suggest that we put abortion doctors in jail and censor books and television programs. This approach would give us a true measure of authoritarianism, left and right, and we would know how many of each kind existed and something about their backgrounds. Then, if they had twins, we would be able to estimate the heritability of authoritarianism. Doing all this is a hard job, which may explain why no scholars have done it.

Genes shape, to varying degrees, almost every aspect of human behavior. The struggle by some activists to deny or downplay that fact is worrisome. The anti-gene claim is ultimately an ill-starred effort to preserve the myth that, since the environment can explain everything, political causes that attempt to alter the environment can bring about whatever their leaders desire.

The truth is that though biology is not destiny, neither is it an easily changed path to utopia. ■

MARK WILSON/GETTY IMAGES

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Alexander Hamilton, Modern America's Founding Father

Myron Magnet

How New York's opportunity society became America's

We New Yorkers imagine our city's history begins in earnest with the Gilded Age and the Great Migration that brought many of our forebears sailing under the Statue of Liberty's torch to supercharge a nascent metropolis with a jolt of new energy. But this summer, when a handful of square-bearded, antique-garbed Pennsylvania German Baptists jacked a yellow clapboard house up over a Harlem church and wheeled it around the corner to a new site in St. Nicholas Park, we recalled that more than a century earlier Gotham took center stage as the nation's first capital. For the house belonged to Alexander Hamilton—not only one of the greatest Founding Fathers but the one who stamped the infant republic forever with the unique spirit of New York City.

The other Founders were Americans of a century's standing, who fought the Revolution to defend liberties their families had claimed for generations. Washington and Jefferson, landed grandees, descended from seventeenth-century Virginians; Harvard-educated John Adams's forebears settled in Massachusetts Bay in 1638. Such men were rooted Americans, living on land inherited from their fathers. Hamilton, by contrast, was a penniless immigrant from the West Indies; like so many New Yorkers, he had come here from elsewhere, seeking his fortune.

And he wasn't just penniless. "My birth," as he delicately put it, "is the subject of the most humiliating criticism"—for he was, in John Adams's acidulous taunt, "the bastard brat of a Scotch pedlar." Nevertheless, as a prime exemplar of that American opportunity and enterprise he so fervently promoted, he rose to be the country's second most powerful man. As Ron Chernow puts it in his indispensable biography, he served in effect as George Washington's prime minister and head of government, directing his administration's policy and molding the enduring institutions it created.

It's hard to exaggerate the moral squalor of the future Treasury secretary's childhood. A much older man, flashy and feckless, wed his mother when she was 16 for her beauty and "snug fortune," as Hamilton called it; she abandoned him and their baby five years later. The outraged husband had her jailed in St. Croix, as its law allowed, for purportedly "whoring with everyone." Instead of returning to him chastened, as he expected, she fled, soon settling on the tiny British island of Nevis with James Hamilton, a dashing younger son of a Scottish laird. She bore two more sons, James, Jr. and, on January 11, 1755, Alexander. The couple lived as man and wife; though her husband finally got a divorce from her in 1759, its terms forbade her remarriage.

The black sheep of a well-off family, James Hamilton had come to the sugar isles in search of riches like so many hard-up adventurers, but he had "too much pride and too large a portion of indolence," Hamilton recalled much later, so his "affairs at a very early day went to wreck" and he sank into the crowd of failures and lowlifes who overran the West Indies. When Hamilton was ten, James decamped, drifting until he washed up, old and dying, near the southern Caribbean speck where Defoe shipwrecked Robinson Crusoe.

NATIONAL PORTRAIT GALLERY, SMITHSONIAN INSTITUTION/ART RESOURCE, NY

Alexander Hamilton's family thought James Sharples's pastel profile, drawn just after Hamilton stepped down as Treasury secretary, the most accurate of all the many portraits of him.

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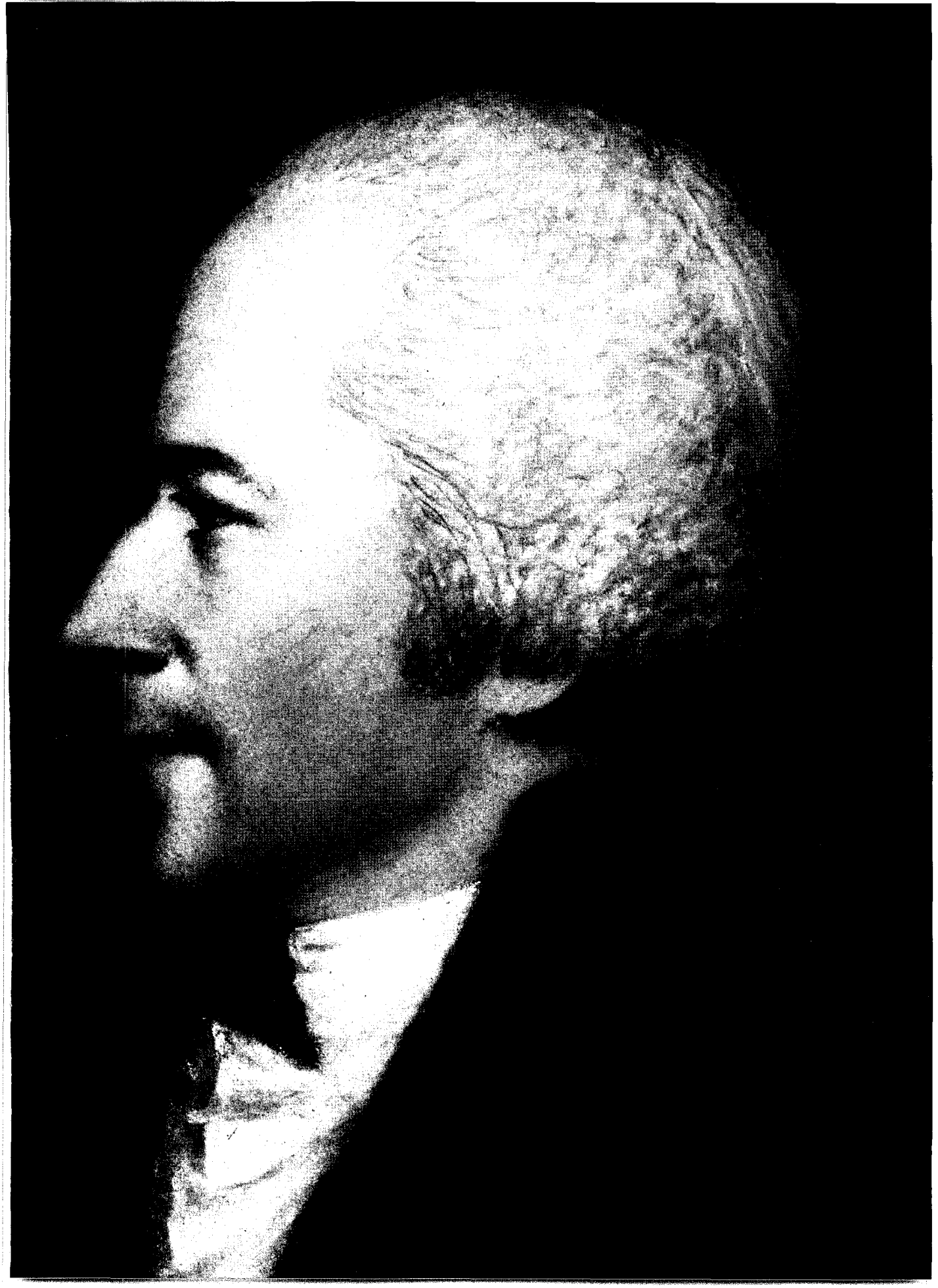

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Hamilton's intelligent, enterprising mother, who'd returned to St. Croix, started a grocery store. But when Hamilton was 12, one of the tropical fevers that plagued European fortune hunters felled her, and a sea of troubles engulfed her two boys. The cousin who took them in killed himself two years later, leaving the boys destitute; their mother's little estate—nine slaves, chiefly—had gone to her one legitimate son, who had swooped down to snatch it away from her two "obscene children." All Hamilton had left were her 34 books, including the Plutarch and Pope that had been his childhood companions, which his cousin had kindly bought for him in the auction of her household effects.

Then, like Mr. Brownlow rescuing Oliver Twist from Fagin, fairy-tale magic descended. A rich St. Croix merchant, Thomas Stevens, took Hamilton into his nurturing household, where he became lifelong friends with Stevens's son Ned, a year older and remarkably similar in tastes and talents. And why did Stevens take in Alexander, leaving his brother James, Jr. to become a carpenter's apprentice? Years later, when Secretary of State Timothy Pickering first met Ned Stevens, he was flabbergasted by his "extraordinary similitude" to Hamilton. "I thought they must be *brothers*," Pickering wrote—an observation that one of Ned's relatives later told him "had been made a thousand times." So was Hamilton doubly illegitimate? Pickering thought so; perhaps someday the DNA sleuths will say for sure.

Some months before the Stevenses took him in, Hamilton, without realizing it, had already linked up to the great world beyond his little island. Though remote, St. Croix was integral to the eighteenth century's economic dynamo, the triangle trade that (to oversimplify) brought slaves from Africa to work the West Indian sugar estates, carried the sugar and molasses to New England to make into rum, and returned to Africa to trade rum for more slaves, generally with a stop in England to sell sugar and rum for manufactures. At 13, Hamilton had begun clerking for the island outpost of Beekman and Cruger, a New York trading firm owned by two of the city's great Dutch mercantile families, key players in that business for generations. As he took his modest place in world commerce, he also launched himself onto a tributary that flowed into the heart of Gotham's mainstream.

His stint at Beekman and Cruger, he later told his son John, was "the most useful part of his education," teaching him the facts of global economic life, from commodity prices, cash flow, and exchange rates to bill collecting and smuggling. When his boss, Nicholas Cruger, fell ill and went home to Gotham (where his uncle was mayor), he left his luminously gifted 16-year-old clerk in charge. The adolescent took to management with gusto: his vivid letter to young Cruger about how he fattened up a cargo of starving mules from the firm's sloop *Thunderbolt* is a marvel of self-confident energy.

On his countinghouse stool, Hamilton dreamt big. At 14, he wrote to Ned Stevens, in his earliest surviving letter, "my Ambition is prevalent that I contemn the grov'ling and condition of a Clerk or the like, to which my Fortune &c. condemns me and would willingly risk my life tho' not my Character to exalt my Station . . . . I mean to prepare the way for futurity. . . . [I] may be jusly said to Build Castles in the Air . . . , yet Neddy we have seen such Schemes successful when the Projector is Constant I shall Conclude saying I wish there was a War."

But the upheaval that first exalted Hamilton's station wasn't a war; it was a hurricane that ripped through St. Croix in August 1772. When Hamilton's muscular account of the storm's ferocity, its aftermath of death and desolation, and his own fears and religious hopes appeared in the local newspaper, its brio amazed readers, some of whom, led by Hamilton's employers and a kindly clergyman, raised funds to send the teenage prodigy off to college in North America. When Princeton declined to let him plow through its B.A. requirements as fast as he could rather than take the usual three years, the young-man-in-

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a-hurry enrolled instead at King's College (renamed Columbia after the Revolution) in late 1773 or early 1774 and became a Manhattanite.

Our American culture embraces a host of microcultures—local traditions and ways of seeing the world that spring from some particular history and make different groups express our common Americanism in their own distinctive accents. The egalitarian Quaker culture of Philadelphia, to take sociologist Digby Baltzell's example, nurtured many fewer who made it into the *Dictionary of American Biography* than Boston's more individualist Puritanism, while historian David Hackett Fischer has shown how the "folkways" of colonists from four different British regions, with their own variants of Protestantism, subtly molded the character of the sections of America they settled, so that their inhabitants ended up even with differently inflected understandings of the idea of liberty. Slight cultural variations can yield markedly different outcomes.

The New York that welcomed Alexander Hamilton had its own distinctive culture, too, whose uniqueness went far deeper than John Adams's description of a town where "they talk very fast, very loud, and all together." Its Dutch past, from Peter Minuit's 1626 purchase of Manhattan to Peter Stuyvesant's handover of the flourishing New Netherland colony to the British in 1664, left an indelible legacy. After decades of brutish religious war, the Dutch Republic had embraced tolerance with fervor and transplanted to its trading post on the Hudson its constitutional promise that "each person shall remain free, especially in his religion, and no one shall be persecuted or investigated because of his religion." So, for example, when Governor General Stuyvesant wanted to limit the rights of 23 Jews who sought asylum in New Amsterdam in 1654, they petitioned the Dutch authorities, who commanded Stuyvesant to treat them with Dutch tolerance, reminding him also that Jews were big investors in the West India Company. And then—as if Jews weren't bad enough—Quakers appeared in the Long Island village of Vlissingen. When Stuyvesant forbade the villagers, mostly English, from taking them in, they disobeyed, citing in their 1657 "Flushing Remonstrance," one of the foundation documents of American religious liberty, the Dutch principle that "love peace and libertie" must extend even to "Jewes Turkes and Egiptians" and reminding him of their charter, which granted the right "to have and Enjoy the Liberty of Conscience, according to the Custome and manner of Holland."

And so New Amsterdam became a melting pot like no other place in North America, with settlers arriving from all over the globe and not only living side by side but also marrying each other. A quarter of the couples married in the town's Dutch Reformed Church were of different ancestries, with Germans marrying Danes, Italians Dutchmen, a man from "Calis in Vranckryck" wedding a girl from "Batavia in the East Indies."

The tolerance, which also welcomed sectarian refugees from Massachusetts's intolerant Puritanism, was a matter of policy as well as principle: the business of New Amsterdam was business, and the authorities wanted to recruit traders of any stripe. The town was quick to make newcomers full citizens. Whereas only 20 percent of that era's New Englanders were freemen, New Amsterdam, in addition to the "great burgher" status it conferred on substantial taxpayers like the first Beekmans, also gave out "small burgher" status to almost anyone who asked. In the benign glow of such equal-opportunity inclusiveness, commerce boomed: Manhattan became a key shipping center even for Virginia tobacco.

With its "frank acceptance of differences and a belief that individual achievement matters more than birthright," concludes Russell Shorto in *The Island at the Center of the World*, his dazzling history of Dutch New York, "this island city would become the first multiethnic, upwardly mobile society on America's shores, a prototype of the kind of society that would be duplicated

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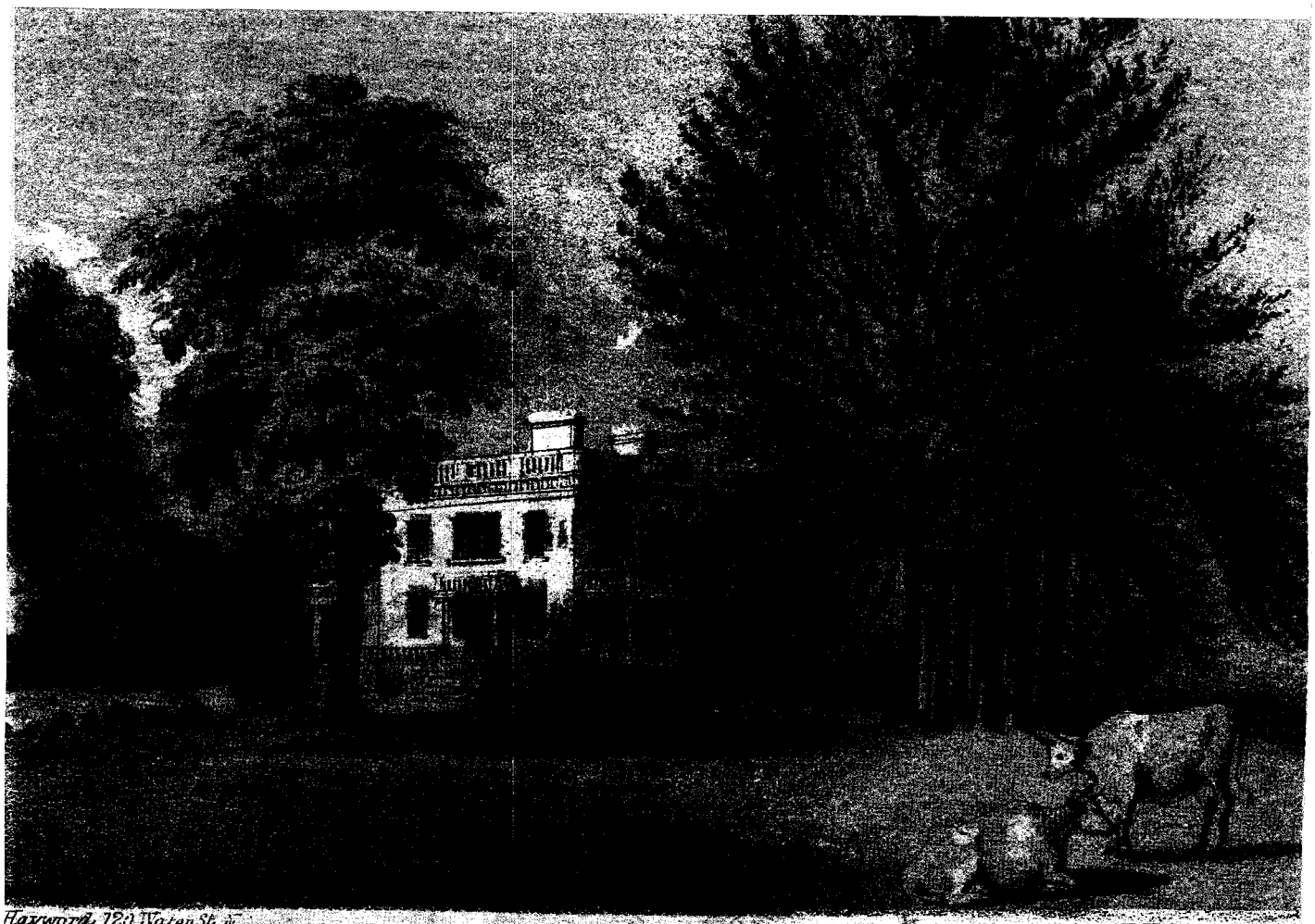
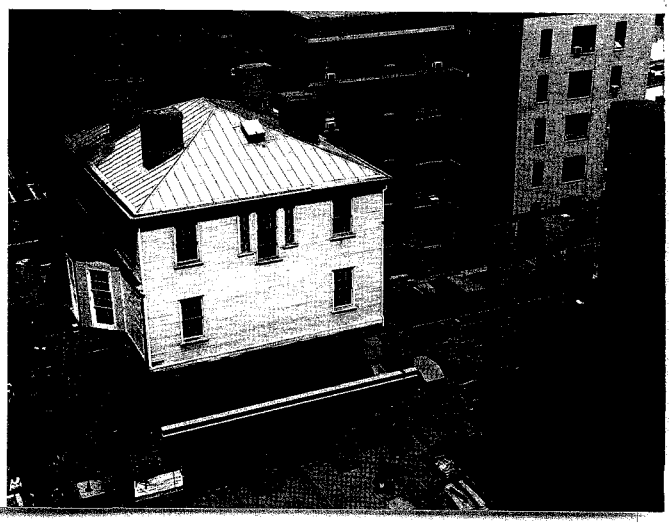


Hayward, 120 Water St. &

for D. T. Valentine's Man

THE GRANGE, KINGSBRIDGE ROAD, N. Y.

Residence of Genl Alexr Hamilton



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throughout the country." It produced prototypical New Yorkers, too, says Shorto, "worldly, brash, confident, hustling." When the British took over, they promised to preserve the regime of tolerance and free trade (and did so for a century). "The Dutch here shall enjoy the liberty of their consciences," they proclaimed. "Dutch vessels may freely come hither." Why mess with success?

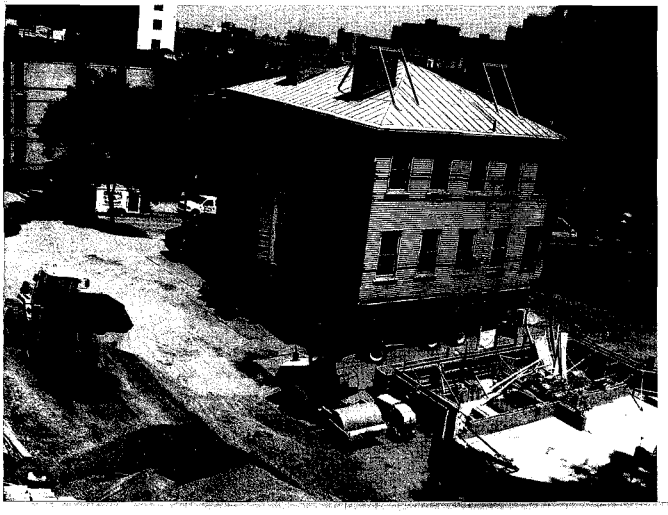
Into the theater of opportunity that had developed from such beginnings—the town where, in Gouverneur Morris's words, "to be born in America seems to be a matter of indifference"—stepped the upwardly mobile young immigrant of dubious parentage and prodigious talent, just at the moment of the Boston Tea Party. Within months of entering King's College, overlooking the Hudson and adjoining the port city's busy red-light district, the 19-year-old undergrad threw himself into revolutionary politics. At a mass rally against England's punitive Coercive Acts, he made himself famous with an impassioned impromptu speech, calling for a boycott of British goods in defense of American liberties, that electrified the crowd. He followed up with two pamphlets prophetic in their certitude that war would come, that the colonists would win with a guerrilla insurgency, and that they would outstrip Britain in population and wealth. Again and again in his career, Hamilton showed such premonitory insight: he saw complex things at a glance, saw them whole, and saw their consequences. And he had no patience with those who couldn't keep up with his brilliance.

The moment that news of Concord and Lexington reached New York, Hamilton, with his own brand of student activism, joined the militia and then, early in 1776, the Continental Army. In the dismal retreat from New York—which the British occupied for the next seven years—and in the famous victories at Trenton and Princeton, the 21-year-old artillery captain earned the nickname "the Little Lion" for his cool determination and unflappable courage under fire. An excellent commander and superb organizer, he won the admiration of a quartet of generals, including Washington, who invited him to join his staff as an aide-de-camp and lieutenant colonel. So the war he had wished for back in St. Croix had come and had indeed exalted his station. As he said much later, revolutions, for all their horrors, "serve to bring to light talents and virtues which might otherwise have languished in obscurity or only shot forth a few scattered and wandering rays."

His connection with Washington turned out to be the

Left: John McComb, Jr., architect of New York's City Hall and Gracie Mansion, designed Hamilton Grange on Harlem Heights, built only two years before Hamilton's death.

In June 2008, movers jacked Hamilton Grange up from its Convent Avenue site and slid it over the adjoining church, before rolling it around the corner to its new site in St. Nicholas Park.



NEW YORK PUBLIC LIBRARY; BELOW: COURTESY OF NATIONAL PARKS OF NEW YORK HARBOR/FEDERAL HALL NATIONAL MEMORIAL (4)

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greatest opportunity in Hamilton's life. Almost everything he achieved, he achieved as the commander in chief's right-hand man—his partner, virtually. As Hamilton said at his patron's death, "I have been much indebted to the kindness of the General, and he was an aegis very essential to me." They were each other's completing counterparts; neither would have achieved such greatness alone. "As a team, they were unbeatable and far more than the sum of their parts," says Chernow.

In the war, Hamilton quickly became, said Washington, his "principal and most confidential aide." He worked out strategy with him, dealt with his subordinate generals, wrote letters exactly expressing Washington's intention from only the vaguest hint. "During the whole time that he was one of the General's aides-de-camp," recalled Secretary of State Pickering, "Hamilton had to *think* as well as *write* for him in all his most important correspondence."

It was more than a professional relationship. Following conventional eighteenth-century usage, Washington called his staff of aides his "family," and, convention aside, that word catches the emotional tone. Certainly the general's closest ADCs—Hamilton, Lafayette, and John Laurens—became a band of brothers, reminiscent, Hamilton's son John said, of the Three Musketeers. "All the Lads embrace you," Hamilton wrote to Laurens. "The General sends his love." The orphaned and abandoned Hamilton acquired the greatest father figure of them all; and of no less emotional importance, the childless Father of his Country gained a surrogate son, whom he invariably called "my boy." And indeed the rumor later went round, sparked by Hamilton's enemies, that the slight, fine-boned West Indian with the gently pensive face was the strapping general's illegitimate offspring.

Wherever there's a father and a son, the Viennese doctor would say, there's a problem. In this case, at least, there came to be. After four years with Washington, Hamilton had risen far above his "grov'ling" condition, but he remained a sort of "Clerk" and began to feel stifled in a job "having in it a kind of personal dependance," as he put it. He nursed dreams of further, personal, glory and chafed when Washington vetoed his requests for his own command. He came to feel his patron's affection a burden—a demand for not just affection but also self-suppression. For his part, Washington was loath to lose what Chernow calls his alter ego, and he surely felt stung not only by Hamilton's eagerness to move on but also by his brilliant protégé's return of stiff reserve to his own warmth, the aide's correct "Your Excellency" to the general's "my boy." "The pride of my temper would not suffer me to profess what I did not feel," wrote Hamilton at the time. "Indeed when advances of this kind have been made to me on his part, they were received in a manner that showed at least I had no inclination to court them, and that I wished to stand rather on a footing of military confidence than of private attachment."

The inevitable explosion came, as usually happens, over a trifle. The two passed each other on the stairs, Washington told Hamilton he wanted to speak to him, and Hamilton said he'd be right back and went to finish his errand, returning, "I sincerely believe," in less than two minutes. He found Washington in a rage. "Col Hamilton (said he), you have kept me waiting at the head of the stairs these ten minutes. I must tell you Sir you treat me with disrespect." How much suppressed heartache that last sentence contains. "I am not conscious of it Sir," replied Hamilton, "but since you have thought it necessary to tell me so we part." "Very well Sir (said he) if it be your choice." And though the general almost immediately tried to "heal a difference which could not have happened but in a moment of passion," Hamilton, his pent-up resentment unappeasable, quit the staff.

In July 1781, Washington finally gave him the command he craved, and it brought him all the glory he wished. When American and French armies had bottled up British general Cornwallis on the Yorktown,

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Virginia, peninsula, with a French fleet blocking him offshore, Washington wanted to crush him before rescue ships could arrive. Two British redoubts stood in the way of squeezing the siege tighter, and Washington ordered Hamilton's New York light infantry to clear one and another brigade the other. Hamilton did it with panache, jumping gallantly onto the redoubt's parapet at the head of his troops, who bayoneted the enemy into quick submission; his counterpart did it with less grace and more blood. But the two victories checkmated Cornwallis, who surrendered five days later, on October 19, 1781, ending the last great battle of the long war—though it was two more years before the British finally left New York City.

While soldiers starved and froze throughout the war, Hamilton, at Washington's right hand, bitterly watched how Congress's shortcomings worsened their sufferings with fecklessness and corruption that turned scarcity into famine. He mused over how to fix what was broken, and read widely, filling the blank pages of his old artillery-company paybook with facts and quotations from Bacon, Cicero, Hobbes, Hume, Montaigne, and Plutarch, along with Postlethwayt on *Trade and Commerce*. By 1780, still Washington's ADC, he had concluded, years before anyone else, that the United States needed a constitutional convention to form an entirely new governmental structure. That year, in a prophetic letter to Congressman James Duane, with his brilliant grasp of a complex whole in all its details, he sketched out that new government: energetic, strongly centralized, with power to raise an army and build a navy, assess taxes and contract foreign loans to support them, declare war or peace, regulate trade, coin money, and establish banks.

Having played his heroic part in the battle that won the war, he returned to civilian life aiming to help create that new order. Late in 1780, he had married Elizabeth Schuyler, the levelheaded, endlessly kind daughter of General (later Senator) Philip Schuyler, head of a great patroon family, owner of tens of thousands of upstate acres, and a proud friend and powerful ally of his son-in-law ever after. The young couple moved into the Schuyler Mansion in Albany, a gabled, Dutch-style town founded by Stuyvesant, where Eliza listened to sermons in Dutch, still spoken in the Hudson Valley until well into the nineteenth century. There Hamilton taught himself law by ravening through his friend Duane's legal library, learning in six months what usually took three years and writing a study guide for himself that, passed around in manuscript copies, served other law students as a textbook for the next decade. In October 1782, three months after passing the bar, he became the equivalent of a British barrister.

When the British finally left New York City, leaving behind a half-burned-out town stinking of sewage, Hamilton moved back with Eliza and brand-new baby Philip to a rented house at 57 Wall Street and became one of the city fathers who rebuilt Gotham. He joined the board of the now-renamed Columbia College, helped create the New York Board of Regents, and founded the Bank of New York—all within the first year or so of his return. He also became one of the greatest lawyers of them all—up there with Daniel Webster, one judge later averred.

All the while, the project of recasting the national government ripened in his mind. While still cramming for the bar in 1782, he won election to Congress, headed two of its key committees six months later, and grew all the more fervent for reform. In 1786, he sought a New York legislature seat to use, he told a friend, "as a stepping stone to a general convention to form a general constitution." His maneuvering in the months after he won it made him, says Catherine Drinker Bowen, "the most potent single influence toward calling the Convention of '87."

At the convention, besides ensuring that immigrants like himself had full, New

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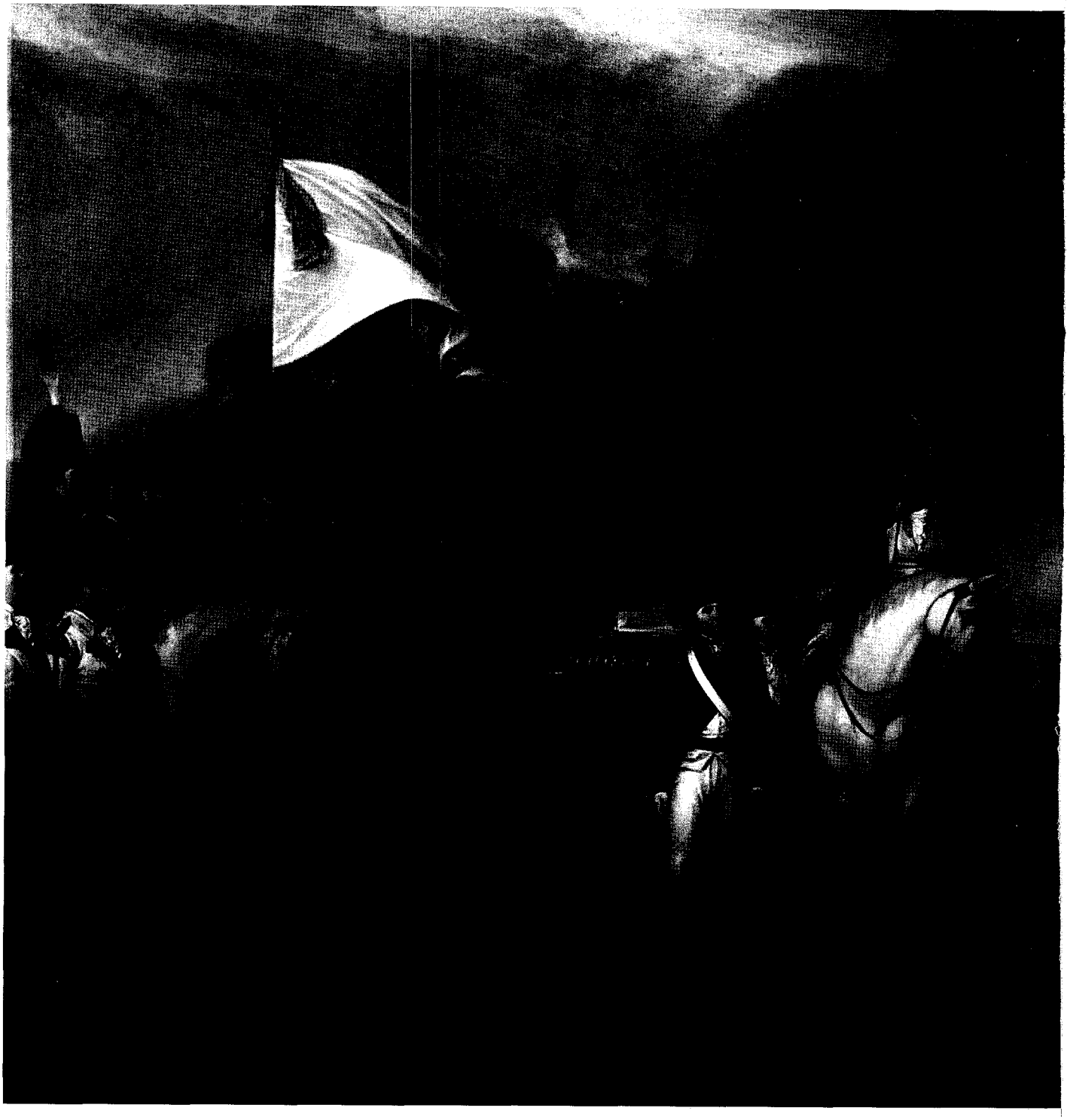

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THE ART ARCHIVE/UNITED STATES CAPITOL BUILDING

York–style opportunity to serve in Congress, he made only one other contribution: a six-hour speech outlining his ideal government. He proposed a highly democratic House of Representatives elected every three years by universal manhood suffrage, counterbalanced by a president and senate to serve for life (unless impeached for misbehavior), chosen by electors picked by men of property. His purpose was double. He wanted to combine, as he'd suggested in his letter to Duane, the advantages of a monarchy's energetic executive with republican liberty. He also aimed to ensure real checks and balances between the rich and powerful and the rest. "Give all power to the many, they will oppress the few," he explained, according to Madison's convention notes. "Give all power to the few, they will oppress the many." Here was a scheme that would ensure true equilibrium, he said, rather than merely having "democracy checked by democracy," as the other proposed schemes envisioned. Of his president-for-life idea, he conceded, "It will be objected probably that such an executive will be an *elective monarch*"—and his enemies have repeated that objection

John Trumbull's tableau of Cornwallis's surrender to Washington on October 19, 1781, shows Colonel Hamilton, whose heroic leadership five days earlier helped checkmate the British general, standing, third from right.

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up to this day, falsely accusing him of secret monarchism.

But behind his idea lay his deepest worry: that direct democracy could decline into mindless mob rule. He had seen that happen after Concord and Lexington, when a New York patriot mob had stormed the King's College president's house, aiming to tar and feather him for his outspoken Toryism. The 20-year-old Hamilton boldly harangued the drunken, anarchic crowd about how they were about to "disgrace and injure the glorious cause of liberty"—just long enough for their target to flee out the back and take ship for England. So, too, in November did Hamilton try, unsuccessfully, to defend Tory newspaper publisher James Rivington when patriots destroyed his print shop.

"The same state of the passions which fits the multitude, who have not a sufficient stock of reason and knowle[d]ge to guide them, for opposition to tyranny and oppression, very naturally leads them to a contempt and disregard of all authority," Hamilton wrote John Jay after the Rivington incident. "When the minds of these are loosened from their attachment to ancient establishments and courses, they seem to grow giddy and are apt more or less to run into anarchy. . . . In such tempestuous times, it requires the greatest skill in the political pilots to keep men steady and within proper bounds, on which account I am always more or less alarmed at every thing which is done of mere will and pleasure, without any proper authority."

This sentiment lay at the heart of Hamilton's political vision. "Men are reasoning rather than reasonable animals, for the most part governed by their passions," he once remarked—a very different vision from Jefferson's Enlightenment rationalism. "Why has government been instituted at all?" he asked. "Because the passions of men will not conform to the dictates of reason and justice, without constraint." So while the Constitution that finally emerged from the convention couldn't bring about "the deceitful dream of a golden age," which no earthly government can accomplish, Hamilton noted, it was unquestionably a practical framework for ensuring liberty while keeping men steady and within proper bounds. Drawing from all the advances of "the science of politics," it provided for the "regular distribution of power into distinct departments—the introduction of legislative balances and checks—the institution of courts composed of judges, holding their offices during good behaviour—the representation of the people in the legislature by deputies of their own election. . . . These are . . . powerful means by which the excellencies of republican government may be retained and its imperfections lessened or avoided"—exactly what he was seeking in his marathon convention speech.

This was a constitution that Hamilton thought worth fighting for, offering everything he had called for in his 1780 letter to Duane. With his then-friend James Madison and John Jay (whom rheumatism soon sidelined), he began the greatest propaganda campaign ever in favor of the Constitution's ratification—*The Federalist Papers*, 85 newspaper columns, some 50 of which Hamilton wrote, sometimes two, occasionally five or even six, a week. The first, which Hamilton penned on a passenger sloop from New York to Albany, appeared on October 27, 1787, and stressed how high the stakes in the debate were: "whether societies of men are really capable or not, of establishing good government from reflection and choice, or whether they are forever destined to depend for their political constitutions, on accident and force." We learned from our "unequivocal experience . . . in the course of the revolution" that our existing governmental structure doesn't work, Hamilton argued, and now the trade disputes raging between different states show that the old structure may prove too weak to hold our union together in the future. We could end up, like the European countries, divided into several warring "confederacies," each too weak to defend itself against the depredations of the European powers.

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The new Constitution, he argued as *The Federalist* progressed, fixes these problems by creating "a vigorous national government" with sufficient powers to protect us "as well against internal convulsions as external attacks," to regulate international and interstate commerce, and to carry on foreign affairs. It provides for vital "energy in the executive." It allows the federal government to raise armies and build a navy, as it must "if we mean to be a commercial people." And it permits the government to tax, since "money is . . . the vital principle of the body politic," government's "essential engine." But a proto–Laffer effect will keep taxes in check. "If duties are too high they lessen the consumption . . . ; and the product to the treasury is not so great as when they are confined within proper and moderate bounds." And, of course, "if we are in earnest about giving the Union energy and duration, we must abandon the vain project of legislating upon the States in their collective capacities: We must extend the laws of the Fœderal Government to the individual citizens of America," making the national government supreme at the expense of the state governments.

In June 1788, the Constitution took effect when the ninth state ratified it. In July, New York State decided to sign on, too, thanks primarily to a month of Hamilton's heroic speechifying at the Poughkeepsie ratifying convention. Wildly pro-Constitution Gothamites celebrated their townsman's magnificent achievement as author and orator with a rollicking parade, featuring a flag that depicted Hamilton with trumpet-blowing Fame, and climaxed by a 27-foot frigate-shaped float pulled by ten horses and christened the Federal Ship *Hamilton*. Marching down Broadway with the celebrants was Hamilton's old St. Croix boss, Nicholas Cruger.

Once George Washington took office under the new Constitution on April 30, 1789, that "energy in the executive" that *The Federalist* had extolled turned out to be Hamilton himself. Appointed Treasury secretary in September—the startled Washington had only recently learned that his ex-aide was a financial whiz—Hamilton, now 34 and the administration's chief policymaker, turned to the financial crisis undermining the nation. He did more than solve it. He used it as an occasion to bring about his own mini-revolution, transforming what historian Forrest McDonald calls a "hierarchical and deferential social order"—in which freely elected justices of the peace always turned out to be generation after generation of the same family and Harvard listed students in order of family prominence—into a free-market, opportunity society in the New York tradition.

"The fabled birth of Minerva from the brain of Jove," Daniel Webster exclaimed, "was hardly more sudden or more perfect than the financial system of the United States as it burst forth from the conception of Alexander Hamilton." Certainly all the complex pieces came into being almost simultaneously and meshed together with Swiss-watch precision. But the exquisite mechanism had a purpose, which Hamilton explained in his 1791 *Report on Manufactures*, and it's worth understanding the *why* before quickly considering the *how*.

Under the "more equal government" that the Revolution and new Constitution established, America now enjoys unprecedented "personal independence" and "perfect equality of religious privileges," he wrote. Its next task is to nurture a diversified economy that includes manufacturing. The object is not just the production of more goods and services but of human fulfillment in thinking them up and creating them. So while "a more ample and various field of enterprize" will certainly increase the wealth of the nation, it will also allow all "the diversity of talents and dispositions which discriminate men from each other" to develop to their fullest excellence. In a society with limited opportunity, "minds of the strongest and most active powers for their proper objects . . . labour without effect, if confined to uncongenial pursuits." But "when all the different kinds of industry obtain in a community, each individual can find his

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proper element, and can call into activity the whole vigour of his nature." To Hamilton, this free-market entrepreneurialism is a kind of soulcraft. "To cherish and stimulate the activity of the human mind, by multiplying the objects of enterprise, is not among the least considerable of the expedients, by which the wealth of a nation may be promoted."

Once in motion, who knows how far the machinery of opportunity and progress can go? The more demand expands, the more enterprise responds. "Every new scene, which is opened to the busy nature of man to rouse and exert itself, is the addition of a new energy to the general stock of effort. . . . The bowels as well as the surface of the earth are ransacked for articles which were before neglected. Animals, Plants and Minerals acquire an utility and value, which were before unexplored." Prosperity grows, invention and ingenuity flourish, dependence on (and vulnerability to) foreign powers shrinks.

But to reach that point takes a money economy, and that's what Hamilton created out of the $76 million that the nation and various states owed to soldiers, army suppliers, and foreign lenders. That debt, said Hamilton in his January 1790 *Report on Credit*, "was the price of our liberty," and it would be shameful to repudiate it, as some politicians urged. It would be impolitic, too: for if the federal government could convert all the various bonds and promissory notes representing those debts into federal government securities that people believed would actually be paid in full, those securities could serve as money. They could serve as a medium of exchange that would "give greater means for enterprize," extending trade, manufacturing, and agriculture. But they could do so, to repeat, only if people believed that they were really worth what they said they were worth, and government creates such belief by keeping its promises, not repudiating them.

Of course, the nation had insufficient gold and silver to pay these debts in full, so Hamilton proposed instead to renegotiate and restructure them into several kinds of interest-bearing annuities. He would pay the interest by levying import duties and excise taxes sequestered in a special "sinking fund" that he'd also use to buy up bonds in the market whenever they fell below their face value, thus pushing the price back up to "par" (as he did spectacularly to calm the markets like a seasoned central banker when the bursting of a speculative bubble gave way to the panic of '92). Thus stabilized in value, the securities could serve as money.

But in the process, Hamilton had to untangle a jumble. Some original holders had sold their promissory notes at big discounts; and in converting these to federal bonds, some legislators asked, shouldn't the government in fairness discriminate among holders, paying a speculator who'd bought an IOU from a hard-up ex-soldier only what he'd paid for it, plus interest, and giving the rest of the face value to the veteran whose wounds had earned it? Hamilton managed to talk Congress out of such discrimination, arguing that it would be an administrative nightmare of dubious justice, and that it would subvert the whole enterprise, because unless people believed that government securities were worth their face value, they wouldn't be negotiable and so wouldn't serve as money.

And what of the state debts? Hamilton thought that the federal government—meaning everybody—should assume responsibility for paying them, since they'd been incurred in the national cause. He also didn't want the states competing with the federal government in taxing the same items. But Virginians, who'd already settled most of their debt for pennies on the dollar, and who had lots of House votes, disagreed. And so Hamilton made his famous deal with Jefferson and Madison over dinner on June 20, 1790. They'd provide the votes for the federal "assumption" of state debts, if Hamilton delivered the votes for moving the national capital from New York to Philadelphia for ten years and then to a permanent site on the Potomac, where the Virginia statesmen incidentally had

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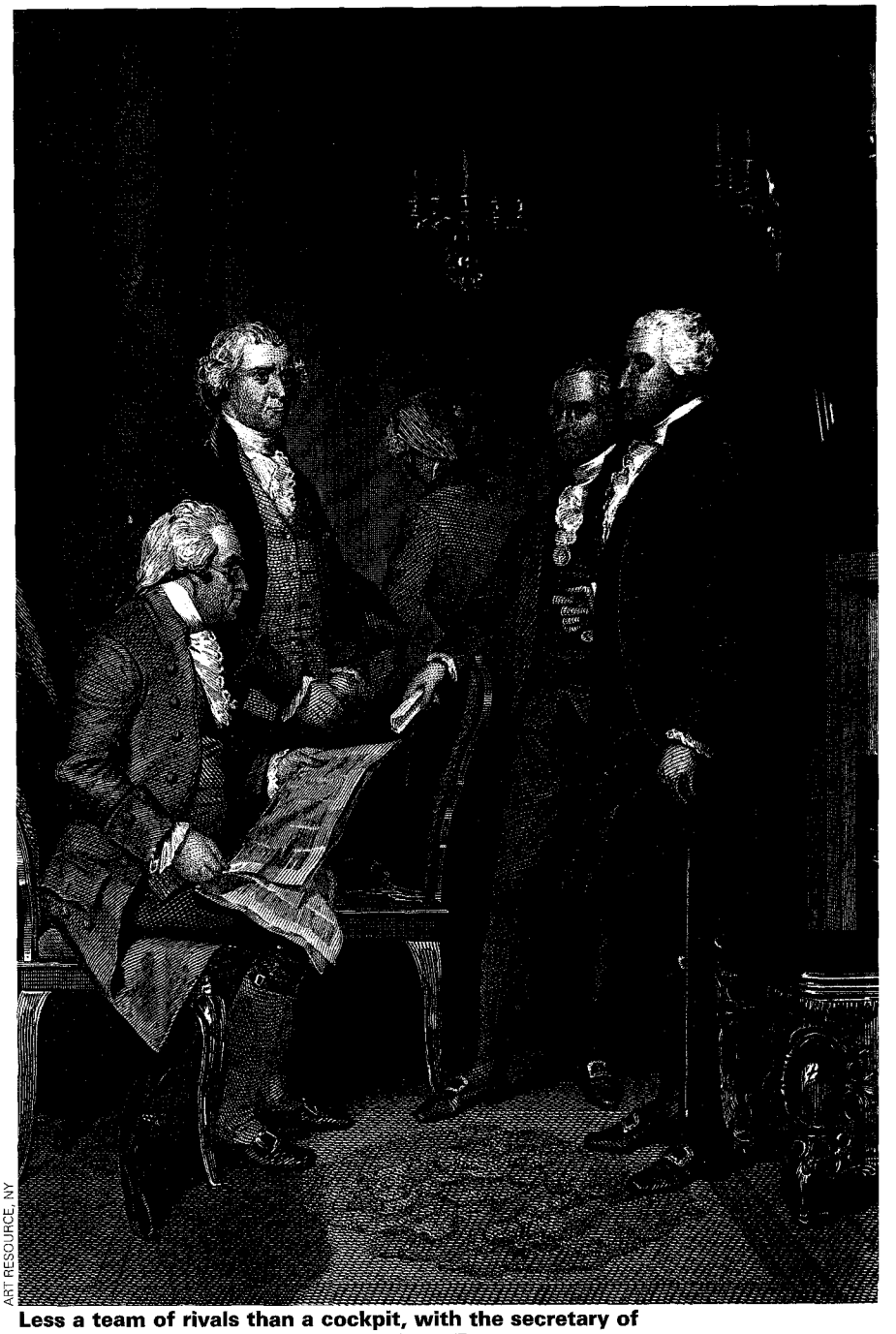
bought up lots of land. By the end of July, the necessary legislation had passed. And by December, paper worth $15 million when Hamilton first went to work in his Broadway office just below Wall Street had risen in value to $45 million.

That month, now in the new capital of Philadelphia, Hamilton sent Congress his *Report on a National Bank*, laying out the last parts of his plan—a bank to issue currency and lend it, a mint to print and coin it, and a customs service to collect duties and catch smugglers. Paper money, Hamilton understood, has an almost magical aspect. Like a bond, a banknote is just a promise, resting on the credit of the issuer, and credit is mere belief. He had already noted in his *Report on Credit* that "in nothing are appearances of greater moment, than in whatever regards credit. Opinion is the soul of it, and this is affected by appearances, as well as realities." Now he intended to use the prestidigitation of credit to levitate the nation into economic modernity.

"Gold and silver, when they are employed merely as the instruments of exchange and alienation, have been not improperly denominated dead Stock," he explained in the *Report on a National Bank*; "but when deposited in Banks, to become the basis of a paper circulation, which takes their character and place, as the



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Less a team of rivals than a cockpit, with the secretary of state pitted against the secretary of the Treasury, the first cabinet of President Washington (on the right) included (from left) Henry Knox, Thomas Jefferson, Edmund Randolph, and Alexander Hamilton.

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signs or representatives of value, they then acquire life, or, in other words, an active and productive quality." That's because, first, the bank can issue paper currency far beyond the value of the precious metal in its vault, since people have sufficient faith that they can redeem their dollar bill for a dollar's worth of gold or silver that they never do the experiment. How far beyond the value of the gold and silver can the paper currency grow? In a breathtaking leap of daring, Hamilton arranged that, of the bank's $10 million capitalization, only $2 million would be actual precious metal; the rest would be . . . federal government bonds, so that the national debt would support an even larger superstructure of credit. Stockholders would pay for their shares in four installments over two years. For the first six months, therefore, Hamilton balanced a $10 million elephant of currency on a $500,000 ball of specie.

So why was this not a pyramid scheme? Hamilton made one of those leaps of faith that, once made, prove true. He believed that the country had a vast latent productive capacity and raw developable land that just needed to be unlocked with capital to start gushing wealth. As things stood, he had written as far back as 1780, "the money in circulation is not a sufficient representative of the productions of the country." The bank's ability to put its capital to work, incessantly circulating it in notes or in loans at interest, so that it never lies idle, is to "all the purposes of trade and industry an absolute increase of capital," he observed. "And thus by contributing to enlarge the mass of industrious and commercial enterprise, banks become nurseries of national wealth." By giving loans to the creditworthy, banks "enable honest and industrious men, of small or perhaps no capital to undertake and prosecute business, with advantage to themselves and to the community," he wrote, as one self-made man hoping to give others the same opportunity; and indeed, he took care to issue currency in small denominations, so that even the humblest could reap the benefits of the new economy.

Hamilton insisted that the bank be run privately, not by government (which held a 20 percent stake, to give it some oversight power). A private bank would take care not to print more money than its capital could support or than the economy could productively employ, since otherwise people would try to cash in superfluous banknotes for specie, depleting the bank's reserves. Underlying the magical belief, he repeatedly insisted, had to be a foundation of hard reality: some specie is really there; loans go to people whose character and business plans the bank finds, after careful inspection, solid enough to pay back the money. Politicians are less prudent. "The stamping of paper is an operation so much easier than the laying of taxes," Hamilton noted, that in an emergency, government would too readily roll the presses, producing inflation and ruining the bank's credit. Stupid, yes: "But what government ever uniformly consulted its true interest," he asked, "in opposition to the temptations of momentary exigencies?" In this case, at least, government did the right thing, and Washington signed the bank bill in February 1791.

As Hamilton rolled out his new revolution, opponents rose up in outrage. One revolution, they thought, had been enough, perhaps even too much. Some, like New York governor George Clinton, guarding his vast power from federal constraint, resisted even ratifying the Constitution as long as he could. Others, especially Jefferson, believed that the Hamiltonian system would exalt Northern urban "stock jobbers" over Southern agriculturalists, and even Harvard-trained John Adams thought bankers mere "swindlers and thieves."

Still others, with Jefferson and Madison at their head, feared that Hamilton's energetic expansion of federal power threatened constitutional liberty. Where, for instance, does the Constitution give government authority to charter a bank? They pooh-poohed Hamilton's contention that Article I, Clause 8, allowing Congress to make any law "necessary and proper" for carrying out its enumerated powers, provides such authority by arming government with

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what Hamilton called "*implied* as well as *express* powers." They rejected his argument that a sovereign government has the "right to employ all the *means* requisite and fairly *applicable* to the attainment of the *ends*" for which it was established, an argument that is a *Federalist* leitmotif, even in the numbers written by a younger and wiser Madison. The "necessary and proper" clause, they countered, doesn't license merely convenient but only indispensable means. If government goes down the Hamiltonian road, Jefferson warned, it takes "possession of a boundless field of power, no longer susceptible of any definition"—exactly the arbitrary, monarchical power we fought a revolution to overthrow.

What would such power do? It would bring about, said Patrick Henry, what "I have ever dreaded—subserviency of southern to northern interests." By which he meant, as he had phrased it more succinctly three years earlier in opposing the Constitution, "They'll free your niggers."

The Framers, who hoped they'd found a way for the nation to be half slave and half free, in any event agreed not to keep raising the issue—an agreement, Chernow points out, that during the debates over Hamilton's financial system "allowed southern slaveholders to proclaim that northern financiers were the evil ones and that slaveholders were the virtuous populists, upright men of the soil." But the tension remained—becoming the mainspring of our history from the 1820 Missouri Compromise to the Civil War—and Northern abolitionists never heeded the gentlemen's agreement. Hamilton himself, who hated slavery from seeing its barbarities firsthand in the West Indies—Beekman and Cruger had traded in slaves; his mother had owned them—had become a founding member of the New York Manumission Society in 1785, and after the Revolution he had declared the very idea of making Britain return or pay for slaves it had freed "odious and immoral." It took decades, but Patrick Henry's prediction proved correct.

To his rivals, then, Hamilton's "federalist" program was less a revolution than a counterrevolution against liberty and limited government, and their opposition, which defined American politics for most of Washington's administration, was bitter. For his own part, aside from his wry awareness that, in Doctor Johnson's phrase, "we hear the loudest yelps for liberty among the drivers of negroes," Hamilton abhorred the version of liberty that the "antifederalists" increasingly embraced—the *liberté* of the French Revolution, which began two months after Washington took office and filled Hamilton with a "foreboding of ill." In *The Federalist*, he had rejected, in favor of practical real-world experience and the lessons of history, "those idle theories which have amused us with promises of an exemption from the imperfections, the weaknesses, and the evils incident to society in every shape." Now, he wrote to Lafayette, "I dread the reveries of your philosophic politicians . . . who being mere speculists may aim at more refinement than suits . . . with human nature." They mistakenly saw men as reasonable rather than merely reasoning creatures, able to re-create society from logical first principles rather than modestly building on "ancient establishments and courses," in light of "that best oracle of wisdom, experience." Human nature being the imperfectible thing it is, he thought, the French would more than likely "run to anarchy."

When they did, in the massacres, regicide, and Terror of 1792 and '93, his dread deepened. When France's ambassador, "Citizen" Genêt, arrived in America in April 1793 and, flouting U.S. neutrality, enlisted American vessels as privateers against British shipping, Hamilton was scandalized, as he was by Genêt's stirring up pro-French democratic-republican clubs in U.S. cities to demonstrate in favor of the Revolution. One huge Philadelphia mob, John Adams reported, even "*threatened to drag Washington out of his house* and effect a revolution in the government or compel it to declare war in favor of the French Revolution and against England." When Republicans (as the antifederalists renamed themselves) started calling one

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another "citizen" and became so pro-Revolution that, "rather than it should have failed," as Jefferson declared, "I would have seen half the earth desolated," Hamilton began to fear that the homegrown "spirit of Jacobinism" could lead in America to "calamities of which the dreadful incidents of the French revolution afford a very faint image."

The ferocity of this clash, which marked the birth of our two-party system, startles us today. Did Republicans and Federalists really mean it when they cursed each other as "monarchists" and "anarchists"? Yes—for their experiment in government, still brand-new, seemed fragile to them. Benjamin Franklin's famous answer to the question of what kind of government the Constitutional Convention had produced was: "A republic—if you can keep it." As Hamilton put it in 1800, in terms that make clear he was our Edmund Burke: "A new government, constructed on free principles, is always weak, and must stand in need of the props of a firm and good administration; till time shall have rendered its authority venerable, and fortified it by habits of obedience." The Hamiltonians and Jeffersonians each saw the other as perverters of Franklin's trust.

And they said so pseudonymously in their party newspapers, the Republicans with a scurrility that even modern bloggers rarely achieve. Hamilton, wrote Governor Clinton or one of his henchmen, was "Tom S***," a "mustee" (the origin of the false belief that Hamilton had African blood). Partial to "the pagentry of rank, the influence of money, . . . and the terror of military force" (wrote Madison in Philip Freneau's odious paper), the Treasury secretary aimed to make one of George III's sons king of the United States. Hamilton, writing in John Fenno's paper, mildly asked if readers thought it right for Jefferson to use government funds to employ Freneau to attack a government in which he himself was secretary of state—and if they really agreed with Jefferson's denunciations of Hamiltonian policies. "If to National Union, national respectability Public Order and public Credit they are willing to substitute National disunion, National insignificance, Public disorder and discredit—then let them unite their acclamations and plaudits in favour of Mr. Jefferson."

Jefferson recalled that he and Hamilton were "daily pitted in the cabinet like two cocks," and each privately tried to enlist Washington against the other. After the president told Jefferson that anyone who believed he didn't support Hamilton's measures must think him "too careless to attend to them or too stupid to understand them," the secretary of state unleashed Freneau to attack Washington himself. Washington finally lost his iron control, Jefferson reported, and exploded in a cabinet meeting: "By *God* he had rather be in his grave than in his present situation; . . . that that *rascal Freneau* sent him three of his papers every day . . . ; that he could see in this nothing but an impudent design to insult him."

In a now-familiar tactic, the Republicans tried to wear Hamilton down with two congressional inquiries, requiring written reports and days of testimony on his personal as well as official financial dealings. In truth, they wore each other down. Jefferson left the cabinet at the end of 1793, Hamilton resigned as Treasury secretary just over a year later, and Washington decided that two terms were enough and returned to Mount Vernon in 1797.

One of the dumbest things ever said about a land settled by immigrants seeking a new start across the sea is that there are no second acts in American lives. America, especially Hamiltonian opportunity America, is all about second chances—and third and fourth ones. But Hamilton himself had done almost everything in his power to make his own political comeback very difficult.

You'd think that any Treasury secretary would have known that when a pretty 23-year-old turns up at your door

Hamilton as secretary of the Treasury, with his Continental Army hat and sword representing his military glory and his *Report on Credit* his renown as a statesman

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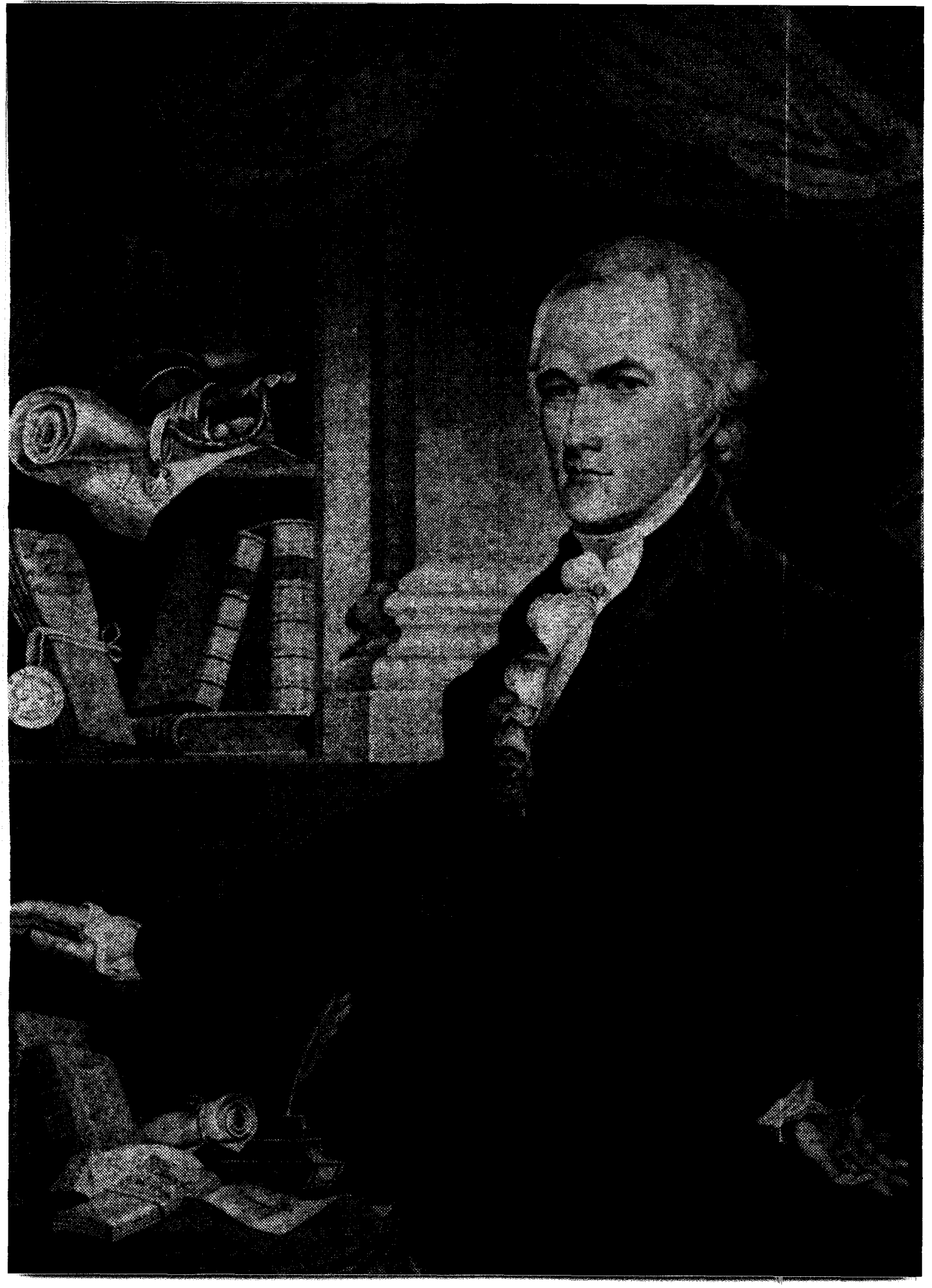

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saying that her husband has left her and asking for money, you do not offer to bring her some at her house later that evening, and you do not start an affair with her the minute you arrive. But Hamilton was a sucker for pretty young women in distress (perhaps hoping to rescue someone like his mother). He'd been at West Point when Benedict Arnold's treachery came to light, for example, and he completely fell for artful coconspirator Peggy Arnold's charade of innocence as she tearfully received him, Washington, and Lafayette, all heaving bosom out of a cheap romance. And at the height of his power, as he was guiding his bank bill through Congress in the summer of 1791, he fell just as easily for Maria Reynolds, who with her husband seems to have made a career of shaking down prominent men.

At first, the husband, who soon claimed to have reconciled with Maria, just "happened" to ask Hamilton for a Treasury job, without success. A wary Hamilton thought he'd better break off the affair, but Maria's "appearances of violent attachment, and of agonizing distress at the idea of relinquishment" played on his "sensibility, perhaps my vanity," so he planned "a gradual discontinuance . . . as least calculated to give pain, in case a real partiality existed"—meaning he couldn't keep away from her. "Do something to Ease My heart Or Els I no not what I shall do for so I cannot live," she wrote, in one of a series of such letters. "The variety of shapes which this woman could assume was endless," Hamilton exclaimed with a half-admiring exasperation.

Just before Christmas, the husband pretended to "discover" the sexual goings-on and extorted $1,000 in blackmail "as the plaister of his wounded honor," as Hamilton put it. A month later, Reynolds wrote Hamilton, "*inviting me to renew my visits to his wife,*" which Hamilton did, allowing Reynolds systematically to "levy contributions upon my passions on the one hand, and upon my apprehensions of discovery on the other." With studied professionalism, Reynolds made sure that a witness, another lowlife named Clingman (who later married Maria), saw Hamilton several times as he came to his house to visit Maria—as he did, all told, for nearly a year. Having risen so high, Hamilton was back among the grifters he thought he'd left behind.

Of course, no amount of money would stop these people from using the power they had over him, and they passed it on to his enemies. When Reynolds and Clingman landed in jail as swindlers (on a different matter), Clingman, appealing to his ex-boss Congressman Frederick Muhlenberg for help, told him that he could "hang" Hamilton for conspiring in financial hanky-panky at the Treasury with Reynolds, showing notes from Hamilton to Maria as evidence. Duty-bound to investigate, Muhlenberg, together with another congressman and Senator James Monroe, called upon Hamilton in December 1792 to ask. Yes, said Hamilton, he had had dealings with Reynolds—but not "for purposes of improper pecuniary speculations" but rather because of Reynolds's "design to extort money from me" for "an amorous connection with his wife." Hamilton showed the three embarrassed legislators a sheaf of documents that amply persuaded them, and they declared themselves satisfied and sorry to have troubled him.

But the matter didn't end there. In the summer of 1797, another Republican journalistic hit man named James Callender revived the corruption charges against Hamilton and revealed the sex scandal, which he'd learned from Monroe. (In Jefferson's pay, like Freneau, Callender later turned on the sage of Monticello and revealed the then-president's long affair with his slave Sally Hemings in 1802.) The official-misconduct charge ignited Hamilton's fury. Scrupulously incorruptible and indifferent to riches, he had retired as Treasury secretary poor: the notoriously corruptible and rich French diplomat Talleyrand, who had become Hamilton's friend when he took shelter in America from the Terror, reported with amazement, after glimpsing Hamilton through the candlelit window of his New York law office, "I have seen a man who

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made the fortunes of a nation laboring all night to support his family."

With remarkably poor judgment—Washington seems to have supplied *all* of the political prudence in their long partnership—Hamilton churned out a luridly vivid pamphlet, which I have been quoting, denying financial corruption and explaining his transactions with Reynolds by detailing his relations with Maria. Had he kept silent, the gutter-press rumormongering would have died away. But now his enemies roasted him. Hamilton's "whole proof in this pamphlet rests upon an illusion," cackled Callender. "'I am a rake and for that reason I cannot be a swindler. I have not broken the *eighth* commandment. . . . It is only the *seventh* which I have violated.'" His friends kept an embarrassed silence.

But there was a worse pamphlet to come. Late in the 1800 presidential campaign three years later, he wrote the *Letter from Alexander Hamilton, Concerning the Public Conduct and Character of John Adams, Esq. President of the United States* that Adams believed cost him reelection. He already believed that Hamilton's support of a rival Federalist had pared his presidential victory to a razor-thin margin, and he resentfully spurned his advice once in office. Hamilton nevertheless gave sub-rosa counsel to cabinet members, and Adams, suspecting "a mischievous plot against his independence," summarily fired two of them. The two clashed repeatedly over policy, and Adams believed that Hamilton was working against his reelection, when the reverse was true.

All this dirty linen Hamilton aired in his pamphlet, going on to argue that Adams had "great and intrinsic defects in his character, which unfit him for the office of Chief Magistrate," including "a vanity without bounds, and a jealousy capable of discoloring every object." His "ungovernable temper" makes him "liable to paroxisms of anger, which deprive him of self-command" (to the point, Jefferson recalled, of his "dashing and trampling his wig on the floor"). Nevertheless, he's a Federalist, Hamilton concluded, and "I have finally resolved not to advise the withholding from him of a single vote." Adams went down in defeat, the Federalist party split in two and slowly died, Hamilton entered the political wilderness, and the Southern Republicans he so despised—Jefferson, Madison, and Monroe—reigned for the next quarter-century.

Some think that Hamilton went into his duel with Aaron Burr five years later out of suicidal despair over the wreck of his political career. That wasn't the case. He had built his beautiful yellow villa at the very top of Harlem Heights in 1802 and was happy to work on his highly successful law practice in his little book-lined study there, to take his gun round his 35 acres of woods looking for game birds, to tend the garden laid out by his friend Dr. Hosack, to read to his seven children, and to gaze out the floor-to-ceiling bow window of his long drawing room at the magnificent rural view northward up the Hudson and eastward to Long Island Sound. "A disappointed politician is very apt to take refuge in a garden," he explained.

But he wasn't even done with politics. Late in 1801, he and nine partners founded the *New-York Evening Post*—still operating today as the morning *New York Post*—and its editor recalled often calling on Hamilton late in the evening to get help thinking through some important political development. "As soon as I see him, he begins in a deliberate manner to dictate and I to note down in shorthand," William Coleman recounted. "When he stops, my article is completed." And when Vice President Aaron Burr, knowing that Jefferson would drop him from the ticket in the 1804 election, decided to run for governor of New York instead, Hamilton roused all his political skill and passion to stop him. Hamilton had met the handsome, dapper, wellborn roué when Burr momentarily served on Washington's wartime staff; their legal careers intertwined ever since they both joined the bar. Hamilton thought Burr a cynical opportunist with "no principle, public or private," who had never produced "a single measure of public utility" in political life, and who should not be governor of his home state. "If we have an

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embryo-Caesar in the United States," he thought, "'tis Burr."

What actually led him to the duel was a tragic choice he had made just after the *Post* was born. He was a man torn between two irreconcilable ideals. Having come into the world with a congenital disgrace, he was self-made even in the matter of honor, thinking his own so precarious that he was quick to take offense at any slight, large or small. He castigated Adams, for example, for not asserting "the national dignity" after "the mortifying humiliations we had endured" from revolutionary France's undeclared war on U.S. shipping in 1797 and '98. Like most soldiers, he believed in asserting honor through dueling, and he had nearly challenged Monroe over the Virginian's leaking the supposedly confidential facts of the Reynolds affair. On a practical level, he believed that the disgrace of evading a duel would ruin anybody's political future. But as he got older, his early religiousness returned, and he knew dueling was wicked.

So when he learned that his beloved 19-year-old "eldest and *brightest* hope," Philip—whom he had often taken with him, with one or another of his younger sons, when he had to be away on long official trips—was to fight a duel the next day, he was torn over what advice to give, especially since Philip had gotten into the duel by calling his opponent a "rascal" for a speech insulting Hamilton himself. Hamilton advised a course he thought would reconcile honor and morality. Philip should shoot into the air, honorable behavior in the dueling code. His opponent might do the same or might miss; only one duel in five was fatal. But this one was. Taken to his uncle's house with a bullet in his gut, Philip died after hours of agony, his weeping parents lying on either side, clinging to him.

And that drove Hamilton's 17-year-old daughter mad. She lived to be 73 in a kind of permanent, fearful girlhood, talking of Philip as if he were still alive and singing the songs she used to sing with her father. Poor Angelica, said her younger sister when they were both old. "Lost to herself for half a century." Material enough for novels by all the Brontës.

Hamilton could easily, and honorably, have avoided his duel with Burr. Enraged by his loss in the gubernatorial race, blaming Hamilton for working against him and wrongly thinking him the author of slashing campaign attacks, Burr wanted revenge. He found the occasion in a letter to a newspaper about its report that Hamilton had called Burr "a dangerous man and one who ought not to be trusted with the reins of government." Actually, said the letter writer—a guest at the dinner party where Hamilton had made the remark—"I could detail to you a still more despicable opinion which General HAMILTON has expressed of Mr. BURR."

That did it for Burr, who sent his second to demand that Hamilton explain what "despicable opinion" he held. The second diplomatically advised Hamilton to say that he had no idea what the dinner guest was talking about, which would have ended the matter right there. Hamilton replied instead that Burr had no business asking him such questions. When Burr then demanded that Hamilton take back anything he'd ever said "derogatory to the honor of Mr. Burr," the duel was on.

Hamilton told his friends that he would "throw away" his shot: just what he'd advised his son to do. Hamilton's friends told him not to do that, for Burr, a crack marksman, had been doing target practice and was rumored to mean to kill him. But Hamilton was thinking more about Philip than about Burr. Whether he lived or died, what he was seeking was atonement.

Rowing across to Weehawken on July 11, 1804, he famously looked back at the New York he had done so much to shape "and spoke of the future greatness of the city." Arriving at the secluded ledge on the Jersey bank, he took his position, put on his glasses, and fired above Burr's head, shooting some twigs off a cedar tree. Burr shot him through the liver and shattered his spine. "This is a mortal wound," Hamilton said; and surrounded by his family and

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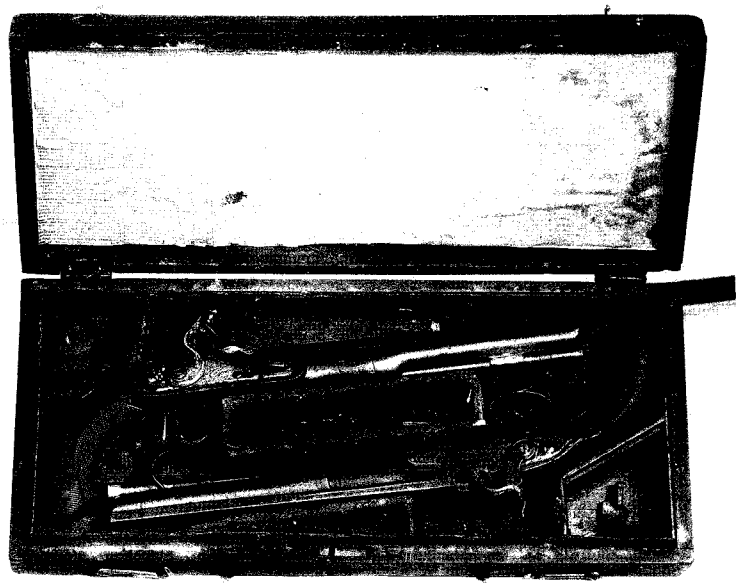
a dozen weeping friends, in the middle of the next afternoon, aged 49, he died.

He left a statement apologizing to his creditors if he didn't leave enough to pay off the debt from building his little villa, explaining that he had looked forward to a "comfortable retirement" there after having "been so much harassed in the busy world" and that he expected the house, "by the progressive rise in property on this Island, and the felicity of its situation to become more and more valuable." Indeed it did, as the engine of prosperity he set in motion enriched his city and nation.

As a result, his villa—the only house he ever owned—got moved not once but twice. In 1889, as his country landscape became urban, a developer bought part of his 35 acres to build row houses, and offered Hamilton Grange, as the house was called, to anyone who would move it. An Episcopal church rolled it two blocks from its original site at 143rd Street and Convent Avenue down to 141st Street, to use as a rectory, wedging the house in sideways to fit the space, moving the front door to the side, and shearing off the verandas. And now, moved again to a site where its porches can be restored, its front door put back, it still stands on Hamilton's land, next to City College, where another generation of ambitious immigrants prepares itself to plunge into Hamilton's opportunity America.



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These dueling pistols killed Alexander Hamilton in July 1804 and his eldest son, Philip, in November 1801.

The National Parks Service, the house's owner, is gradually restoring it. Already the architects have scraped away dozens of layers of paint to discover the original pale yellow of the drawing-room walls, and they've discovered, by taking down plaster, that early descriptions of the room, with three mirrored doors echoing the tall bow window at the room's other end and reflecting its view, are correct. They've even found the doors.

I'm hoping they'll find the original furniture: the piano that Angelica Hamilton used to play, I know, is stored in a warehouse somewhere. But most of all, I hope Hamilton's silver ice bucket turns up. It arrived at his door when the scandal over the Maria Reynolds affair was at its height and he badly needed some support. In the box, he found this note: "Not for any intrinsic value the thing possesses, but as a token of my sincere regards and friendship for you and as a rememberance of me; I pray you to accept a Wine cooler for four bottles. . . . It is one of four I imported in the early part of my late administration of the Government; two only of which were ever used. I pray you to present my best wishes, in which Mrs. Washington joins me, to Mrs. Hamilton & the family; and that you would be persuaded, that with every sentiment of the highest regard, I remain your sincere friend and affectionate Hble. Servant. Go: Washington."

He understood better than anyone the man's incomparable worth.

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How Science Fiction Found Religion

Benjamin A. Plotinsky

Once overtly political, the genre increasingly employs Christian allegory.

There is a young man, different from other young men. Ancient prophecies foretell his coming, and he performs miraculous feats. Eventually, confronted by his enemies, he must sacrifice his own life—an act that saves mankind from calamity—but in a mystery as great as that of his origin, he is reborn, to preside in glory over a world redeemed. Tell this story to one of the world's 2 billion Christians, and he'll recognize it instantly. Tell it to a science-fiction and fantasy fan, and he'll ask why you're making minor alterations to the plot of *The Matrix* or *Superman Returns*. For reasons that have as much to do with global politics as with our cultural moment, some of this generation's most successful sci-fi and fantasy movie franchises follow an essentially Christian plotline.

"Hallelujah!" cries a minor character early in *The Matrix*, the 1999 cyberpunk flick, directed by Larry and Andy Wachowski, that took the nation by storm and, together with its two sequels, raked in about $600 million domestically. "You're my savior, man, my own personal Jesus Christ." The character is addressing Thomas Anderson, a restless computer hacker, played by Keanu Reeves, who goes by the handle "Neo" and has sold him some precious illegal software. It's just one of the movie's many references to its central inspiration. Neo, we learn eventually, is in fact a nearly divine savior, the Jesus Christ of the bizarre world in which he lives.

Anderson doesn't realize it yet, however. First, a mysterious man named Morpheus must contact him, conveying a shocking truth: the universe isn't real but is actually a "Matrix"—a "neural interactive simulation," a "computer-generated dreamworld"—and the year isn't 1999 but something like 2199. Early in the twenty-first century, Morpheus explains, human beings and intelligent machines went to war against one another. The machines, seeking a constant source of bioelectrical energy, started to breed people and use them as human generators, keeping them in little cells but convincing them, through illusion-conveying cables attached to their brains, that they still lived in an ordinary world. "You are a slave, Neo," Morpheus says. "Like everyone else, you were born into bondage."

Yet escape from bondage is possible. "When the Matrix was first built, there was a man born inside who had the ability to change whatever he wanted, to remake the Matrix as he saw fit," Morpheus tells Neo. "It was he who freed the first of us, taught us the truth . . . . After he died, the Oracle prophesied his return—that his coming would hail the destruction of the Matrix, end the war, bring freedom to our people." Is Neo this reincarnated savior—the "One" whom Morpheus and his fellow rebels await? We don't know until near the movie's end, when a comrade-in-arms betrays Neo and Morpheus. Neo chooses to save Morpheus's life by surrendering his own. The machines kill him—but then he mysteriously returns to life and obliterates his enemies, to the grand accompaniment of trumpets and a choir. He is indeed the One.

It takes no great perception to recognize how closely this plot tracks the basic Christian narrative, though it conflates the Passion with the End Days, adding the betrayal of a Judas to a messianic Second Coming. Neo's very name isn't just an anagram of "One" but also a prefix meaning "new," a word with important Christian overtones: Jesus is a "new man," we read in Ephesians 2:15,

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In the *Matrix* franchise, Keanu Reeves plays Neo, a messiah-like figure whose coming is foretold.

who says that he brings a new testament.

Bryan Singer's underrated *Superman Returns* (2006) sought to answer an age-old question: Does humanity need gods? Lex Luthor, Superman's eternal nemesis, answers early on. After Luthor compares himself to Prometheus, an accomplice retorts: "Sounds great, Lex, but you're not a god." "Gods are selfish beings who fly around in little red capes and don't share their power with mankind," Luthor snarls. He's in agreement with Lois Lane, who has won a Pulitzer for an op-ed titled "Why the World Doesn't Need Superman." Superman, you see, has just returned to Earth after a five-year absence spent searching for his lost homeworld, Krypton. "How could you leave us like that?" Lois demands. "I moved on; so did the rest of us. That's why I wrote it. The world doesn't need a savior."

Is she right? In one scene, as Superman floats above the Earth, we hear his alien father in a voiceover. Human beings "can be a great people," Jor-El says. "They only lack the light to show the way. For this reason above all—their capacity for good—I have sent them you, my only son." The line, of course, echoes John 3:16: "For God so loved the world that he gave his only Son." When Marlon Brando first spoke it in *Superman* (1978), it was the earlier movie's only explicit Christian reference.

The recent installment not only resurrects the line; it piles on further biblical allusions. "You wrote that the world doesn't need a savior," Superman himself tells Lois, "but every day I hear people crying for one." Isaiah 19:20: "When they cry to the Lord because of oppressors, he will send them a savior." Later, as Superman tries to save the world from Luthor, the villain plunges a Kryptonite dagger into his side. John 19:34: "One of the soldiers pierced his side with a spear." And then, after

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saving the day by hurling Luthor's death machine—a rapidly expanding new continent that threatens to destroy the United States—into outer space, a poisoned and exhausted Superman plummets to earth, his arms outspread at right angles to his body and legs, a crucified figure lacking only a cross. He remains in a coma until his son (Lois Lane is the unwed mother in this updated *Superman*: don't ask) restores him to life. He leaves his hospital room empty until a nurse discovers it, just as Mary and Mary Magdalene find Jesus's empty tomb.

Superman's heroism thus answers the movie's fundamental question. In one of the last scenes, we see Lois struggling to write a new essay: "Why the World Needs Superman." Perhaps the nation's recent superhero obsession, from the smash *Spider-Man* movies to *The Dark Knight* (the biggest film of 2008) to the TV hit *Heroes*, owes more than we commonly recognize to religious impulses. As Gabriel McKee writes in *The Gospel According to Science Fiction*, "There are inherent messianic qualities in the . . . concept of the superhero—an individual with exceptional abilities who sacrifices part of his or her life for the greater good."

Both *The Matrix* and *Superman Returns* show the hero's discovery of his powers. We see Neo learning martial arts almost instantaneously through the cable leading to his brain—a computer nerd's fantasy; in a euphoric flashback, we watch the young Clark Kent finding out that he can fly. No parallels to these episodes of joyful self-discovery exist in the New Testament. But turn your attention from the canonical Bible to the Apocrypha—in particular, to the Gospel of Thomas, one of the so-called Infancy Gospels, stories of Jesus's childhood nearly 2,000 years old—and you'll find the child Jesus animating clay sparrows, restoring people to life, and even exacting revenge on his enemies. "He was again passing through the village," the text relates, "and a boy ran up against Him, and struck His shoulder. And Jesus was angry, and said to him: You shall not go back the way you came. And immediately he fell down dead."

If that last story sounds vaguely familiar, maybe you're one of the millions around the world who have read *Harry Potter and the Sorcerer's Stone* (1997), the first installment in J. K. Rowling's unprecedentedly successful seven-volume series of fantasy novels, the first five of which have been made into blockbuster movies. Early on in *The Sorcerer's Stone*, before Harry discovers his magical powers, his loutish cousin Dudley punches him in the ribs during a visit to the zoo. Unconsciously, an angry Harry makes the glass separating Dudley from a boa constrictor disappear. We soon learn that Harry, like so many of today's fantasy heroes, is marked for greatness from infancy as the only person who can defeat a world-crushing evil. The final book in the series, *Harry Potter and the Interminable Sequels*—no, wait, that's *Harry Potter and the Deathly Hallows*—has Harry (you guessed it) choosing to die to save the world and then returning to life, after a brief journey to an afterworld resembling (note the place) London's King's Cross railway station.

One reason that Disney finally made a movie out of C. S. Lewis's Christian allegory *The Lion, the Witch and the Wardrobe* in 2005 may be that popular fantasy has become increasingly religious at heart. Peter Jackson's brilliant film adaptations of J. R. R. Tolkien's *Lord of the Rings* trilogy, on the other hand, probably don't fall into the category of messianic fantasy, despite a quick episode in which the wizard Gandalf experiences a sort of death and rebirth; Tolkien's chief inspiration was political, not religious, and Jackson remains faithful to that intention.

The best illustration of the science-fiction and fantasy world's recent shift toward Christian themes, though, is the most successful sci-fi franchise in history. George Lucas's *Star Wars* appeared in 1977 and instantly became a huge hit. It told the story of Luke Skywalker, a gifted youth raised by his uncle and aunt on the planet Tatooine, who soon finds himself caught up in the struggle between a

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group of noble rebels and an "evil Galactic Empire"—in the words of the movie's famous opening scene, in which a few prefatory sentences of exposition crawl slowly into a distant field of stars. An old man named Obi-Wan Kenobi, one of the last remaining members of the virtuous "Jedi knights," takes Luke under his wing, but he must sacrifice himself to the Empire's dreaded Darth Vader to save the young man from capture. In the end, Luke joins the rebels and helps win an important battle against the Empire. To date, *Star Wars* has grossed nearly $461 million in the United States, making it the third-biggest film in American history.

It doubtless owes much of that success to mythologist Joseph Campbell, whose book *The Hero with a Thousand Faces* described certain features of the "standard path of the mythological adventure of the hero." The adventure's outline was simple: "A hero ventures forth from the world of common day into a region of supernatural wonder: fabulous forces are there encountered and a decisive victory is won: the hero comes back from this mysterious adventure with the power to bestow boons on his fellow man." Many myths shared even more than this, explained Campbell; for example, "the first encounter of the hero-journey is with a protective figure (often a little old crone or an old man) who provides the adventurer with amulets against the dragon forces he is about to pass." Think of Arthur, Merlin, and Excalibur.

Such scholars as Otto Rank and Lord Raglan had earlier written comparative studies of hero-myths. In 1936, for instance, Raglan compiled a list of characteristics common to many mythological heroes: "The hero's mother is a royal virgin"; "the circumstances of his conception are unusual"; "he is also reputed to be the son of a god"; and 19 others. But it was Campbell's book that Lucas stumbled upon as he wrote his screenplay. "It's possible that if I had not run across him I would still be writing *Star Wars* today," Lucas acknowledged later. Presumably, too, he would never have invented the "protective figure" Obi-Wan, who gives Luke a "lightsaber" not long after meeting him.

Scholars have noted the correspondence of parts of the Christian narrative to the hero-myths, and perhaps this affinity accounts for what little Christian imagery does show up in *Star Wars*. "If you strike me down, I shall become more powerful than you can possibly imagine," Obi-Wan warns Darth Vader. But it's largely an empty boast: after his death, Obi-Wan does nothing more than appear as a sort of ghost from time to time. The movie's main plot spends far more time on outer-space dogfights. Two sequels swiftly followed: *The Empire Strikes Back* (1980) and *The Return of the Jedi* (1983). Both were entertaining, but neither drew on Christianity.

As the world knows to its sorrow, Lucas revived the franchise in 1999 with *The Phantom Menace*, the first movie in another *Star Wars* trilogy that chronicled events prior to those in the original three movies. Episode I, as *The Phantom Menace* is also confusingly known, differed from the first *Star Wars* movie in many respects, among them a plot that no suspension of disbelief could render convincing and dialogue that sounded even more mechanical coming from the people than from the robots. In one respect, however, *The Phantom Menace* consciously mirrored its predecessor, portraying a Jedi knight—Qui-Gon Jinn, played by Liam Neeson—who meets a talented Skywalker boy, this one named Anakin (Jake Lloyd), on the Tatooine sands.

But where the original movie never deified Luke, *The Phantom Menace* describes Anakin—the future Darth Vader, Luke's father—in terms so messianic as to make Neo blush, repeatedly calling him "the Chosen One." The source of the term is in Luke—the Evangelist, that is—where Jewish leaders say of the soon-to-be-crucified Jesus: "Let him save himself if he is the Messiah of God, his chosen one!" The movie is fuzzy about who exactly has done the choosing, however—a failure doubtless rooted in Lucas's carelessness with plots.

The Phantom Menace proves equally vague when prophecy enters the story. When Qui-Gon first intimates that Anakin

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may be the Chosen One, another Jedi knight says, "You refer to the prophecy of the One who will bring balance to the Force," but we never learn who prophesied and when. The prophecy echoes the Gospels' repeatedly stated thesis that certain passages in the Hebrew Bible foretell Jesus's coming.

"The Force" is one detail in which the new films are actually less spiritual than the old. In the 1977 movie, Obi-Wan described this mysterious entity as "what gives a Jedi his power. It's an energy field created by all living things; it surrounds us, penetrates us; it binds the galaxy together." In the 1980 sequel, Yoda—a character, created by Jim Henson, who looked suspiciously like Kermit the Frog and sounded suspiciously like Fozzie Bear—instructed Luke to "feel the Force around you: here, between you, me, the tree, the rock, everywhere!" Such language, smacking of the period's flirtation with natural mysticism, gave way in the new movies to an explanation more in keeping with our current fascination with molecular biology: the Force, we learned in *The Phantom Menace*, was actually the product of microorganisms in the blood. It's as though Lucas, instinctively realizing the intellectual poverty of the New Age, gave it up, exchanged it for something resembling science, and then turned, elsewhere in the script, to a far older, more powerful story.

That story, though, he inverted. Anakin will be not the world's savior but its destroyer, more Antichrist than Christ. He will slaughter nearly all the Jedi knights and—after almost dying at Obi-Wan's hands and enduring a sort of rebirth as the masked Darth Vader—help remake a galactic republic into a dictatorship. Still, in one respect he is explicitly a Christ figure. A bit of early dialogue between Qui-Gon and Anakin's mother, one Shmi—names aren't Lucas's strong suit, either—reveals that Anakin is the product of a virgin birth:

> *Qui-Gon:* You should be very proud of your son. He gives without any thought of reward.
>
> *Shmi:* Well, he knows nothing of greed. He has a—
>
> *Qui-Gon:* He has special powers.
>
> *Shmi:* Yes.
>
> *Qui-Gon:* He can see things before they happen . . . . The Force is unusually strong with him, that much is clear. Who was his father?
>
> *Shmi:* There was no father. I carried him, I gave birth, I raised him. I can't explain what happened.

What *did* happen? Not to Shmi, whose curious reproductive history the *Star Wars* movies also never bothered to explain, but to the *Star Wars* movies themselves—whose earlier trilogy mostly avoided biblical inspiration but whose more recent installments shifted so sharply toward Christianity? More generally, why has mainstream sci-fi and fantasy as a whole become so religious? One reason may be the religious revival that the United States and much of the world have been undergoing since the 1970s. This "revenge of God," in French scholar Gilles Kepel's phrase, has seemingly begun to be felt even in secular Hollywood.

But another reason surely lies in geopolitics. During the sixties and seventies, popular American science fiction looked to the stars and saw a Cold War there. Consider *Star Trek*, the franchise that, as a TV show from 1966 to 1969 and later as a series of movies, chronicled the adventures of Captain Kirk, Mr. Spock, and the crew of the USS—"United Starship"—*Enterprise*, representatives of a democratic United Federation of Planets that held an uneasy truce with the warlike, autocratic Klingon Empire. The real-world parallels were unmistakable. "Of course *Star Trek* was about the Cold War," critic Paul Cantor recently observed. "The United Federation of Planets was the United States and its free-world allies, the Klingons were the Soviet Union and the Communist bloc."

The original *Star Wars* films were similarly political at heart. Like *Star Trek*, they portrayed a universe caught between two great rivals, one free and democratic, the other hierarchical and autocratic. Not for nothing did the first film use "evil Galactic Empire" to

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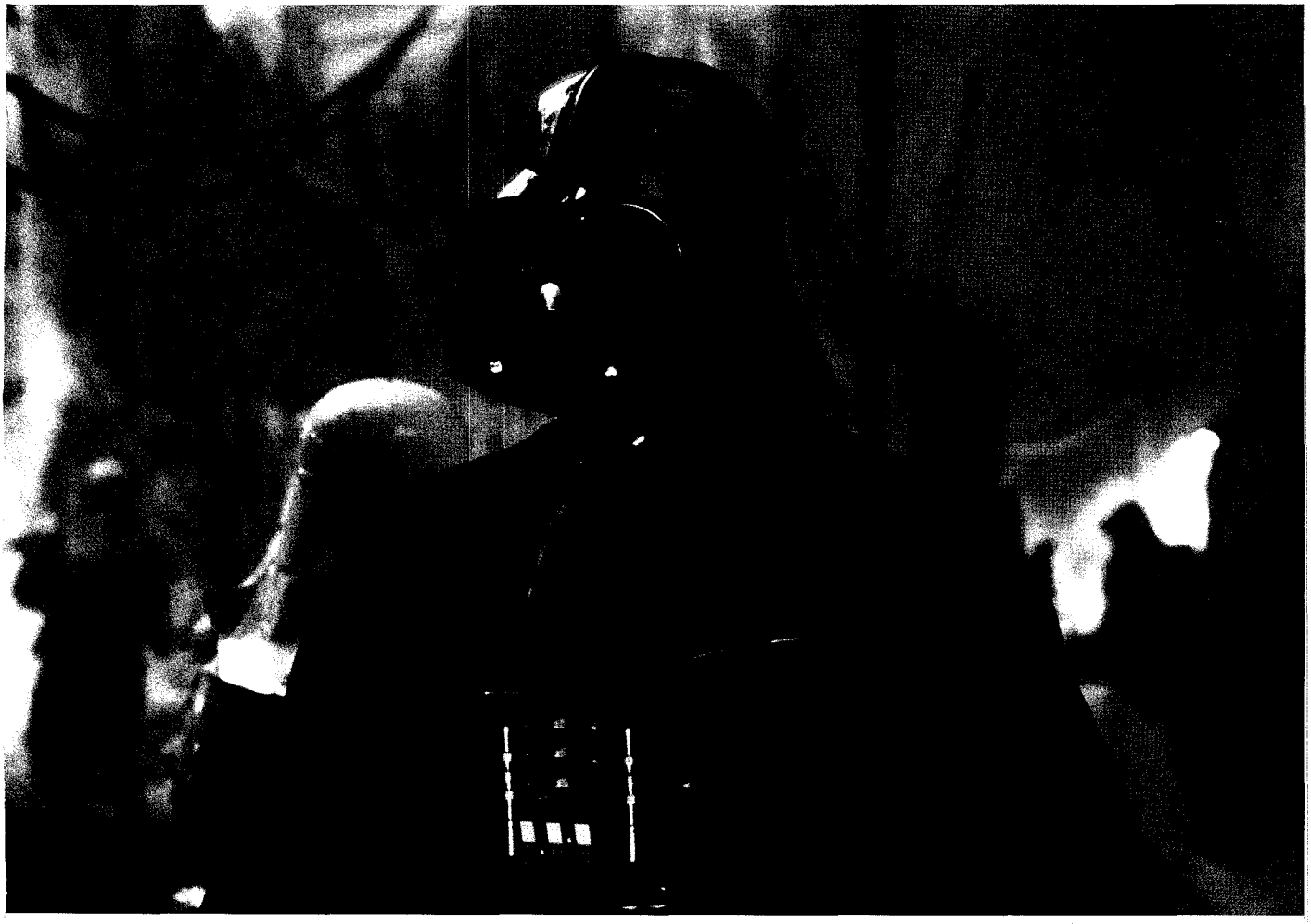

More Antichrist than Christ, Darth Vader, in George Lucas's *Star Wars* series, is the product of a virgin birth.

describe Darth Vader's dominion. (One wonders whether Ronald Reagan drew his famous excoriation from Lucas's hit.)

When the Soviet Union began to thaw in the mid-eighties and collapsed entirely in 1991, however, that neat good-versus-evil scheme resonated less, and mainstream science fiction started to cast about for alternative inspirations. Often it failed. *Star Trek*, for example, continued to imitate geopolitics as it launched a phenomenally boring new TV series, *Star Trek: The Next Generation*, in 1987 (it would end its run in 1994). The Federation and the Klingons were now at peace, and the *Enterprise* resembled a spaceborne United Nations, a bustling enclave safe enough for the crew to bring *children* with them. So yawn-inducing was the galaxy that the show frequently sought to introduce drama with a device called the "holodeck," a virtual-reality entertainment area where the characters could cavort in more exciting locales—the Wild West, say, or 221B Baker Street. Two more *Trek* series, *Deep Space Nine* and *Voyager*, tried to restore excitement—the first was set on a frontier space station, the second in a galaxy far from our own tedious one—but with little effect. Too often,

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the *Star Trek* franchise called to mind the end of history on an intergalactic scale.

But while *Star Trek* floundered, other sci-fi, less committed to explicit Political Relevance, seized on a ready-to-hand story that exerted enormous power on American audiences—and not only because of its biblical source. The story has roots deep in humanity's ancient past, as Campbell, Raglan, and Rank understood. It is a story that, in one variant or another, our ancestors told one another so long ago that its sources are as mysterious as the story itself.

Messianic sci-fi movies and TV programs, despite their own interest in parthenogenesis, did not spring forth fully formed from the New Testament. Science fiction of the *written* kind has long taken advantage of the cultural power of the Christ story. In fact, two of the twentieth century's most popular sci-fi novels, Frank Herbert's *Dune* and Robert Heinlein's *Stranger in a Strange Land*, were overtly messianic, a fact noted by the sizable critical literature that exists on the books.

Christian themes aren't an entirely new development in filmed science fiction, either. In the *Terminator* franchise—which produced three fine films as far apart as 1984, 1991, and 2003—robots from the future repeatedly attempt to kill the suggestively initialed John Connor, a man destined to lead humanity in a war against the robots. Connor's birth is positively paradoxical, if not miraculous: a warrior sent back in time by Connor himself to fight the first movie's robot killer sleeps with Connor's mother . . . conceiving Connor. Richard Matheson's 1954 novel *I Am Legend*, in which the world's last surviving human being battles vampire-like creatures, has inspired three Hollywood versions, but *The Omega Man* (1971)—in which Charlton Heston is first nearly crucified, then saves the world with his (antibody-carrying) blood, and winds up speared through the side and dead in, once more, a T shape—is more suggestively Christian than either *The Last Man on Earth* (1964) or last year's Will Smith vehicle *I Am Legend*. Even in that most political of Cold War sci-fi movies, *The Day the Earth Stood Still* (1951), we meet an alien who adopts the name "Carpenter" and, after being killed by the earthlings among whom he has landed, returns to life to offer them peace or a sword. Steven Spielberg's *E.T.* (1982) similarly gave us a being who descended from heaven, cured disease miraculously, and then returned from death.

Yet despite the evocative power of the Christian narrative, it seems likely that geopolitics will return to mainstream science fiction, now that we realize how terribly exciting—I use the adverb carefully—our world still is. In fact, it's already begun to happen. A fifth *Star Trek* series, called *Enterprise*, began its four-season run on September 26, 2001—just 15 days after 9/11 and just before our subsequent war against the Taliban—with the good guys fighting a new race of aliens called, by a curious coincidence, the Suliban. The action-packed series quickly became the best *Trek* since the original, and its references to 9/11 and the War on Terror only became more explicit as the show went on. In *Enterprise*'s penultimate season, aliens terroristically destroy a swath of Florida and the *Enterprise* goes on a mission to hunt them down and punish them.

Then there's *Battlestar Galactica*. The corny 1978 original mercifully died after a single season. Five years ago, however, the franchise was reborn—first as a three-hour miniseries, then as a weekly show—in a compelling new form. As in the original, the show's heroes, the last remnants of a human civilization destroyed by mechanical beings called Cylons, are fleeing their persecutors and seeking Earth, the legendary planet of their origin. But instead of the clunky robots of the 1978 series, the new Cylons are indistinguishable from human beings—a detail that helps turn the show into an ongoing examination of the War on Terror: Is it ethical to torture Cylons, for example? Other questions also echo our current conflict: How should the show's hero deal with members of a (human) fifth column that has tried to sabotage his

CBS/LANDOV

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In the original *Star Trek*, the Klingon Empire represented the Soviet Union, locked in combat with the United Federation of Planets—that is, the United States. Here, a Klingon (John Colicos) confronts Captain Kirk (William Shatner).

ship? How much access to sensitive information should he grant to an apparently hostile reporter? The show declines to answer straightforwardly, instead presenting viewers with a world whose politics, like our own, are filled with moral ambiguities and difficult trade-offs.

Now that science fiction again has politics to draw on, will it abandon its religious impulses? Predicting the future is a task best left to sci-fi writers themselves, but I'd bet not. In a genre less committed than most to the this-worldly, there will always be messiahs to save the world from evil robots or invading aliens. And at movie theaters and on TV screens nationwide, there will always be legions of worshipful fans. ▩

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Oh, to England

The Persistence of Ideology

Theodore Dalrymple

Grand ideas still drive history.

CORBIS

In 1960, the sociologist Daniel Bell published *The End of Ideology*, in which he argued that ideology—understood in the sense of a coherent, single-minded philosophical outlook or system of abstractions intended as much as a lever to change society as a description to explain it—was dead, at least in the West, and in the United States in particular. A combination of democracy and mass prosperity had "solved" the political question that had agitated humanity since the time of Plato. There were to be no more grand and transformative, if woefully erroneous, ideas; all that remained was public administration, with, at most, squabbles over small details of policy. The new version of the old saw, *mens sana in corpore sano*, a sound mind in a sound body, was a capitalist economy in a liberal democratic polity. That was the lesson of history.

In 1989, as the Soviet Union and Eastern Europe were reforming—indeed collapsing—so rapidly that it became clear that Communism could not long survive anywhere in Europe, Francis Fukuyama went one step beyond Bell and wrote an essay for *The National Interest* titled "The End of History?" In this soon-to-be-famous article, later expanded into a book, Fukuyama suggested that the end of ideology that Bell saw in the West was now global. By "the end of history," he did not mean the end of events, of course; one team or another would continue to win the Super Bowl, and there might yet be wars between national rivals. But broadly, history had given its lesson and mankind had taken it. Henceforth, those who resisted the march of liberal democracy were like the Luddites, those English workers at the beginning of the Industrial Revolution who smashed machines, blaming them for destroying the independent livelihoods of workers at home.

At the end of his essay, however, Fukuyama—more concerned to understand the world than to change it, by contrast with Marx—implicitly raised the question of the role of ideology in the world's moral economy. With no ideological struggles to occupy their minds, what will intellectuals have to do or think about? Virtually by definition, they like to address themselves to large and general questions, not small and particular ones: as Isaiah Berlin would say, by temperament, they are hedgehogs, who know one large thing, not foxes, who know

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Ideological politics: the Grand Mufti of Jerusalem salutes Bosnian Muslim recruits to the Waffen-SS in 1943.

many small things. Fukuyama admitted that he would miss ideology, if only as something to oppose. "I have ambivalent feelings for the civilization that has been created in Europe since 1945, with its North Atlantic and Asian offshoots," he wrote. "Perhaps this very

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prospect of centuries of boredom at the end of history will serve to get history started once again."

As it turned out, of course, we did not have long (let alone centuries) to suffer existential boredom. Our dogmatic slumbers—to use Kant's phrase for the philosophic state from which reading David Hume roused him—had barely begun when a group of young fanatics flew commercial airliners into the Twin Towers and the Pentagon, thus demonstrating that pronouncements of the death of both ideology and history were somewhat premature.

In truth, we should have known it, or at least guessed it, without needing to be reminded. Fukuyama's concluding sentences contain a hint of the psychological function that ideology plays. It is not just disgruntlement with the state of the world that stimulates the development and adoption of ideologies. After all, disgruntlement with society there has always been and always will be. Dissatisfaction is the permanent state of mankind, at least of civilized mankind. Not every dissatisfied man is an ideologist, however: for if he were, there would hardly be anyone who was not. Yet ideology, at least as a mass phenomenon, is a comparatively recent development in human history.

Who, then, are ideologists? They are people needy of purpose in life, not in a mundane sense (earning enough to eat or to pay the mortgage, for example) but in the sense of transcendence of the personal, of reassurance that there is something more to existence than existence itself. The desire for transcendence does not occur to many people struggling for a livelihood. Avoiding material failure gives quite sufficient meaning to their lives. By contrast, ideologists have few fears about finding their daily bread. Their difficulty with life is less concrete. Their security gives them the leisure, their education the need, and no doubt their temperament the inclination, to find something above and beyond the flux of daily life.

If this is true, then ideology should flourish where education is widespread, and especially where opportunities are limited for the educated to lose themselves in grand projects, or to take leadership roles to which they believe that their education entitles them. The attractions of ideology are not so much to be found in the state of the world—always lamentable, but sometimes improving, at least in certain respects—but in states of mind. And in many parts of the world, the number of educated people has risen far faster than the capacity of economies to reward them with positions they believe commensurate with their attainments. Even in the most advanced economies, one will always find unhappy educated people searching for the reason that they are not as important as they should be.

One of the first to notice the politicization of intellectuals was the French writer Julien Benda, whose 1927 *La trahison des clercs*—"the treason of the clerks," with "clerk" understood in its medieval sense as an educated person distinct from the uneducated laity—gave a phrase to educated discourse. Today, people most frequently use the phrase to signify the allegiance that intellectuals gave to Communism, despite the evident fact that the establishment of Communist regimes led everywhere and always to a decrease in the kind of intellectual freedom and respect for individual rights that intellectuals claimed to defend.

Benda meant something much wider by it, though support for Communism would have come under his rubric: the increasing tendency of intellectuals to pursue lines of thought not for the sake of truth, or for guiding humanity *sub specie aeternitatis*, but for the sake of attaining power by adopting, justifying, and manipulating the current political passions of sections of humanity, whether national, racial, religious, or economic. The political passions that Benda most feared when he wrote his book were nationalism, xenophobia, and anti-Semitism, which then had plenty of intellectual apologists, and which indeed soon proved cataclysmic in their effects; but really he was defending the autonomy of intellectual and artistic life from political imperatives.

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That ideological ways of thinking have survived the collapse of Communism in Eastern Europe and the Soviet Union would not have surprised Benda. The collapse did severely reduce Marxism's attractiveness, and despite decades of attempts by intellectuals to dissociate the doctrine's supposed merits from the horrors of the Soviet system, it was only natural that many people believed that the death of Marxism meant the death of ideology itself. But as Benda might have predicted, what resulted instead was the balkanization of ideology—the emergence of a wider choice of ideologies for adoption by those so inclined.

The most obvious example of an ideology that came into prominence—or better, prominently into our consciousness—after Communism's fall was Islamism. Because of its emphasis on returning to Islamic purity, and its apparent—indeed noisy—rejection of modernity, most people failed to notice how modern a phenomenon Islamism was, not just in time but in spirit. This is evident from reading just one of Islamism's foundational texts: Sayyid Qutb's *Milestones*, first published in 1964. The imprint of Marxism-Leninism is deep upon it, especially the Leninist component.

Qutb starts with cultural criticism that some might find eerily prescient. "The leadership of mankind by Western man is now on the decline, not because Western culture has become poor materially or because its economic and military power has become weak," he writes. "The period of the Western system has come to an end primarily because it is deprived of those life-giving values which enabled it to be the leader of mankind." Since, according to Qutb, those "life-giving values" cannot come from the Eastern Bloc, he thinks (like Juan Domingo Perón, the Argentinean dictator, and Tony Blair, the former British prime minister) that a Third Way must exist: which, he says, can only be Islam.

Just as in Marx only the proletariat bears the whole of humanity's interests, so in Qutb only Muslims (true ones, that is) do. Everyone else is a factionalist. In Qutb's conception, the state withers away under Islam, just as it does—according to Marx—under Communism, once the true form is established. In Marx, the withering away comes about because there are no sectional material interests left that require a state to enforce them; in Qutb, there is no sectional interest left once true Islam is established because everyone obeys God's law without the need for interpretation and therefore for interpreters. And when all obey God's law, no conflict can arise because the law is perfect; therefore there is no need for a state apparatus.

One finds a unity of theory and praxis in both Qutb's Islamism and Marxism-Leninism. "Philosophy and revolution are inseparable," said Raya Dunayevskaya, once Trotsky's secretary and a prominent American Marxist (insofar as such can be said to have existed). And here is Qutb: "Thus these two—preaching and the movement—united, confront 'the human situation' with all the necessary methods. For the achievement of freedom of man on earth—of all mankind throughout the earth—it is necessary that these methods should work side by side."

Like Lenin, Qutb thought that violence would be necessary against the ruling class (of bourgeois in Lenin's case, unbelievers in Qutb's): "Those who have usurped the authority of God and are oppressing God's creatures are not going to give up their power merely through preaching." Again like Lenin, Qutb believed that until human authority disappeared, the leader's authority must be complete. Referring to "the Arab" of the Meccan period—an age whose moral qualities he wants to restore—Qutb says: "He was to be trained to follow the discipline of a community which is under the direction of a leader, and to refer to this leader in every matter and to obey his injunctions, even though they might be against his habit or taste." Not much there with which Lenin could have disagreed. The British Stalinist historian Eric Hobsbawm wrote of himself: "The

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Party had the first, or more precisely, the only real claim on our lives. . . . Whatever it had ordered, we would have obeyed."

Qutb is as explicit as Lenin that his party should be a vanguard and not a mass party, for only a vanguard will prove sufficiently dedicated to bring about the revolution. And like Leninism, Qutb's Islamism is dialectical:

> [Islam] does not face practical problems with abstract theories, nor does it confront various stages with unchangeable means. Those who talk about Jihaad in Islam and quote Qur'anic verses do not take into account this aspect, nor do they understand the nature of the various stages through which the movement develops, or the relationship of the verses revealed at various occasions with each stage.

Compare this with Lenin's *Left-Wing Communism, an Infantile Disorder*:

> Right doctrinairism persisted in recognizing only the old forms, and became utterly bankrupt, for it did not notice the new content. Left doctrinairism persists in the unconditional repudiation of certain old forms, failing to see that the new content is forcing its way through all and sundry forms, that it is our duty as Communists to master all forms, to learn how, with the maximum rapidity, to supplement one form with another, to substitute one for another, and to adapt our tactics to any such change that does not come from our class or from our efforts.

There are many other parallels between Leninism and Qutb's Islamism, among them the incompatibility of each with anything else, entailing a fight to the finish supposedly followed by permanent bliss for the whole of mankind; a tension between complete determinism (by history and by God, respectively) and the call to intense activism; and the view that only with the installation of their systems does Man become truly himself. For Qutb's worldview, therefore, the term Islamo-Leninism would be a more accurate description than Islamofascism.

Qutb was a strange man: he never married, for example, because (so he claimed) he found no woman of sufficient purity for him. You wouldn't need to be Freud to find the explanation suspect, or to find his reaction to Greeley, Colorado, in 1950, where he spent time on a scholarship—he saw it as a hotbed of unrestrained vice—somewhat hysterical, a cover for something seething deeply and disturbingly inside him. Devotion to an ideology can provide an answer of sorts to personal problems, and since personal problems are common, it isn't surprising that a number of people choose ideology as the solution.

Ideological thinking is not confined to the Islamists in our midst. The need for a simplifying lens that can screen out the intractabilities of life, and of our own lives in particular, springs eternal; and with the demise of Marxism in the West, at least in its most economistic form, a variety of substitute ideologies have arisen from which the disgruntled may choose.

Most started life as legitimate complaints, but as political reforms dealt with reasonable demands, the demands transformed themselves into ideologies, thus illustrating a fact of human psychology: rage is not always proportionate to its occasion but can be a powerful reward in itself. Feminists continued to see every human problem as a manifestation of patriarchy, civil rights activists as a manifestation of racism, homosexual-rights activists as a manifestation of homophobia, anti-globalists as a manifestation of globalization, and radical libertarians as a manifestation of state regulation.

How delightful to have a key to all the miseries, both personal and societal, and to know personal happiness through the single-minded pursuit of an end for the whole of humanity! At all costs, one must keep at bay the realization that came early in life to John Stuart Mill, as he

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described it in his *Autobiography*. He asked himself:

> "Suppose that all your objects in life were realized; that all the changes in institutions and opinions which you are looking forward to, could be effected at this very instant: would this be a great joy and happiness to you?" And an irrepressible self-consciousness distinctly answered, "No!" At this my heart sank within me: the whole foundation on which my life was constructed fell down. All my happiness was to have been found in the continual pursuit of this end. The end had ceased to charm, and how could there ever again be any interest in the means? I seemed to have nothing left to live for.

This is the question that all ideologists fear, and it explains why reform, far from delighting them, only increases their anxiety and rage. It also explains why traditional religious belief is not an ideology in the sense in which I am using the term, for unlike ideology, it explicitly recognizes the limitations of earthly existence, what we can expect of it, and what we can do by our own unaided efforts. Some ideologies have the flavor of religion; but the absolute certainty of, say, the Anabaptists of Münster, or of today's Islamists, is ultimately irreligious, since they claimed or claim to know in the very last detail what God requires of us.

The most popular and widest-ranging ideology in the West today is environmentalism, replacing not only Marxism but all the nationalist and xenophobic ideologies that Benda accused intellectuals of espousing in the 1920s. Now, no one who has suffered respiratory difficulties because of smog, or seen the effects of unrestrained industrial pollution, can be indifferent to the environmental consequences of man's activities; pure laissez-faire will not do. But it isn't difficult to spot in environmentalists' work something more than mere concern with a practical problem. Their writings often show themselves akin to the calls to repentance of seventeenth-century divines in the face of plague epidemics, but with the patina of rationality that every ideology needs to disguise its true source in existential angst.

For example, a recent column in the *Guardian*, by the environmental campaigner George Monbiot, carried the headline THE PLANET IS NOW SO VANDALISED THAT ONLY TOTAL ENERGY RENEWAL CAN SAVE US. Monbiot, it is true, does not offer us heaven on earth if we follow his prescriptions; only the bare—and by no means certain, for "we might have left it too late"—avoidance of total biological annihilation. But behind Monbiot's urgency, even hysteria, one senses a deep lust for power. He cannot really believe what he says, for starters. "Do we want to be remembered," he asks rhetorically, "as the generation that saved the banks but let the biosphere collapse?" If it is really true that we must either have "total energy renewal" or die, however, we cannot be remembered as the generation that let the biosphere collapse, for if we let it collapse, *ex hypothesi* no one will be around to remember us. This reminds me of patients I used to see who would threaten suicide, in the clear expectation of a long life ahead, unless someone did what they wanted. And though Monbiot says that it is uncertain that anything we do now will make any difference, he nevertheless proposes that every human being on the earth follow his prescriptions.

The environmentalist ideology threatens to make serious inroads into the rule of law in Britain. This past September, six environmentalists were acquitted of having caused $50,000 worth of damage to a power station—not because they did not do it but because four witnesses, including a Greenlander, testified to the reality of global warming.

One recalls the disastrous 1878 jury acquittal in St. Petersburg of Vera Zasulich for the attempted assassination of General Trepov, on the grounds of the supposed purity of her motives. The acquittal destroyed all hope of establishing the rule of law in Russia and ushered in an age of terrorism that led directly to one of the greatest catastrophes in human history. ■

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Letters

Storm Front

To the editor:

This is a fantastic article on a complex topic [Nicole Gelinas, "Storm-Proofing the Economy," Autumn 2008]. Kudos to Ms. Gelinas. I hope Mr. Bernanke and Mr. Geithner give her a call.

David Doney
Chicago, IL

All That Cook

To the editor:

John McWhorter's latest contribution ["The Ghost in Your iPod," Autumn 2008] is one of the finest bits of writing on American music history that I've ever encountered. I've traced individual songs (such as "Body and Soul") through their life cycles and am an avid reader of liner notes and a devotee of the Smithsonian Collection of classic jazz. And I had never heard of Will Marion Cook. Thank you for publishing this. It fills a void in my understanding. I had always thought that ragtime and stage pianists and singers whose names are largely forgotten gave rise to the American music we most prize, but now there is a figure who fleshes it out for me. Where's PBS?

Steve Gilchrist
York, PA

To the editor:

I have written about and taught courses on popular music for a number of years and saw references to Cook often, but no one has gone into this much depth about his role in turn-of-the-century theater and music. My thanks to Mr. McWhorter for a long-overdue, beautifully researched, and perceptive essay.

Tim Scheurer
Dean, College of Arts and Sciences
Shawnee State University
Portsmouth, OH

Stoic No More

To the editor:

Theodore Dalrymple mourns the death of civil Britain ["The Quivering Upper Lip," Autumn 2008]. Let him blame Margaret Thatcher. She convinced the British that there is no society, but only self and family. And she broke that artificial collectivity, the union. For the middle class, she offered the war of all against all in business and the stock market. So why be surprised that the British lack social cohesion, disdain the conventions of good manners, and live for the pleasures of the moment, such as those are?

Michael Feld
Vancouver, British Columbia

To the editor:

I am fortunate in remembering the England that Dr. Dalrymple describes, and have wondered when it changed. A symbolic date that occurred to me was the day the Beatles received the Order of the British Empire and several people sent their medals back in outrage.

I'd like to add two considerations. First, my daughter and her family still live in England, in the Cotswolds, and I have found her generation (those now in their late thirties and educated) to be quite wonderful, though I don't share all their views and find some of their flattened-down accents deplorable. But on the whole, they are both more knowledgeable about the world and more charitable than we were at their age. Second, when I was on a research trip in Germany a few years ago, I was surprised and delighted to find the spirit of the England Dr. Dalrymple laments alive and well in that once-battered country. People were courteous, efficient, and kind, and on the whole they took pleasure in simple things. I've gotten a sense from films like *The Lives of Others* that the decadence of the Fassbinder/Honecker era in Germany—always more intense and deliberately evil than in loutish but cheerful Britain—may be over.

The sixties destroyed much of the compact of civility; and then came Margaret Thatcher, whom I have always suspected of having looked at Hogarth prints and saying to herself, "Where did all that raw energy go? Let's let that genie out of the bottle again." The result was a generation of riches and the destruction of more civility. But as a character in a Charles Morgan novel remarked: "Athens didn't die; she came up again in the Renaissance." There is always hope.

Roger Cuin
near Cordes, France

To the editor:

One must never forget that Kitchener (I cannot bring myself to acknowledge him as

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Lord of the Realm) invented the concentration camps in the Boer War that Hitler later copied. The estimates vary, but about 25,000 Boers, mostly women and children, died in these camps. Naturally, the British government awarded Kitchener handsomely. I am English, by the way.

Andrew Taylor
London, England

Theodore Dalrymple responds:

I agree in part with Mr. Feld. Mrs. Thatcher's legacy, in my opinion, was deeply ambiguous (though her destruction of the unions was self-evidently necessary in the Britain of that time). She increased a consumerist attitude to life, thinking that the British population was still the one she had known in her youth, with virtues such as thrift, honesty, modesty, and so forth. She was mistaken. Its virtues had been sapped by long years of statist entitlement, which she did nothing to reduce. A combination of consumerism and statist entitlement is not attractive.

Like Mr. Cuin, I am not completely without hope. I do not believe, though, that Mrs. Thatcher ever thought that Hogarth prints like *Gin Lane* were in any way admirable.

Mr. Taylor is wrong about the British having invented the concentration camp. The Spanish used such camps in the war of Cuban independence before the Boer War. The comparison with Hitler is not merely wrong, but silly. What Mr. Taylor writes has no logical connection with what I wrote. Its silliness, however, is not untypical of what passes as thought these days in England.

THE IMAGEWORKS

Survival of the Dimmest

To the editor:

Whew! What a grim scene you describe [Kay Hymowitz, "Love in the Time of Darwinism," Autumn 2008]. As a 71-year-old woman, I remember dating in the 1950s as both painful and joyous—with definite rules of behavior that all females knew were for their own protection against pregnancy and disease. How many of us who championed equal opportunity realized that it would somehow open the door

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Letters

for women to act like men and mess up a method for finding a suitable mate and lifelong happiness? What happened to women's instincts or good coaching by mothers, aunts, and sisters?

Margaret McCarthy
Libertyville, IL

To the editor:

Good Lord, she gets it, and isn't condescending or in denial about it. Has the worm finally turned? Can we get some sense back into family law, custody law, and so forth? Will we finally have a real dialogue about men and women and modern society? Probably not, but given the vitriol the "feminist" establishment tends to spew today, I salute Ms. Hymowitz for having the sheer guts to write this. Let us know how Gloria Steinem and the rest of the fake "strong, independent women" crowd treats you.

Chris Dinote
State College, PA

To the editor:

I'm sorry. I don't share the author's views. I loved being single, didn't marry until I was 36, and am 42 now. My stepdaughter's friends in college are lovely young people. Everyone seems, in general, happier and more open than they were when I was young. It's a good world.

Anne Broshar
San Francisco, CA

To the editor:

While you may be correct that hardcore jerks are a minority of the men out there dating, I suspect that the whole culture has shifted in favor of the alpha jerks. After all, men are highly status-conscious; if the jerks are visibly winning, then the nice guys will tend to make themselves over into jerks if at all possible.

William Krebs
Santa Rosa, CA

Learning Off Campus

To the editor:

I am a retired college professor of chemistry and biochemistry. After 33 years of teaching at a small, private liberal arts college in Ohio, I have little doubt that our current economic and cultural realities have led to an unfortunate transformation of higher education [Victor Davis Hanson, "The Humanities Move Off Campus," Autumn 2008]. It has, over the years, become vocational education. Given the necessity for absorbing factual matter and training in professional techniques, there appears to be little room for immersion in generalized critical thought, learning our own and other languages, developing rhetorical expression, and writing clear and cogent expository prose.

Science and engineering students are most certainly not alone in these respects; the education deficit extends across the board. The passing of what was considered liberal education 40 or 50 years ago in the U.S. is truly lamentable—and our cultural and political lives have suffered immeasurably for it.

Francis Scalzi
Scottsdale, AZ

To the editor:

For centuries, higher education assumed that the student was already familiar with the classics long before he reached the university level—at age six or seven or thereabouts. The idea of beginning the study of elementary Greek or Latin as a college freshman is absurd. It's too late by then.

That educational world is gone now, of course, yet classical study is alive and well. The students who take these courses today are the same ones who would have done so during the last 500 years, and who will continue to do so 500 years from now. They are very few in number—but they always were.

Tony Donovan
Dhahran, Saudi Arabia

Payback

To the editor:

Isn't the true death of reparations [Walter Olson, "Reparations, R.I.P.," Autumn 2008] represented by our newly elected black president? It's getting harder and harder to argue institutionalized racism.

Elizabeth Fullerton
New York, NY

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Roger Scruton is a writer and philosopher. His article is adapted from his McNish Lecture for the Advancement of Western Civilization at the University of Calgary.

Guy Sorman, a *City Journal* contributing editor, is the author of numerous books, including the forthcoming *Economics Does Not Lie*.

Laura Vanderkam, a New York City–based writer, is the author of *Grindhopping: Build a Rewarding Career Without Paying Your Dues*.

James Q. Wilson, formerly a professor at Harvard and at UCLA, now lectures at Pepperdine University. In 2003, he was awarded the Presidential Medal of Freedom.

Soundings:
André Glucksmann is a French philosopher. His article was translated from the French by Alexis Cornel. **James Kirchick** is an assistant editor of *The New Republic*. **Bjørn Lomborg,** an adjunct professor at the Copenhagen Business School, is the author of *The Skeptical Environmentalist* and *Cool It: The Skeptical Environmentalist's Guide to Global Warming*. **Dane Stangler** is a senior analyst at the Ewing Marion Kauffman Foundation in Kansas City, Missouri. **Marcus Winters** is a senior fellow at the Manhattan Institute.

Artists:
Sean Delonas is the cartoonist for the *New York Post* and the coauthor, with his son, Ryan, of *Scuttle's Big Wish*. **Alberto Mena** is the graphics and imaging director of *BusinessWeek*. **Arnold Roth** is a cartoonist whose work has appeared in *Punch*, *The New Yorker*, the *New York Times*, and many other publications. **Harvey Wang** is a photographer and filmmaker who has published five books of photography, including *Harvey Wang's New York*. For cover artist **Jimmy Chen,** see page 2.

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A Womb Not of One's Own

Kay S. Hymowitz

Evidently I wasn't the only one who nearly choked on her Sunday morning pancakes reading Alex Kuczynski's article "Her Body, My Baby" in the *New York Times Magazine* in November. Judging from the letters to the editor and the blogospheric clamor, the article, a meditation on the writer's "adventures with a surrogate mom," caused an epidemic of indigestion. Kuczynski suffered through 11 IVF procedures and four miscarriages before finally arranging to implant the embryo made by her egg and her husband's sperm into the uterus of a Pennsylvania woman named Cathy Hilling. But Kuczynski, the wife of a billionaire investor, managed to leave most readers fuming at her yoga-filled leisure, her "euphoria" at not having to endure the lumpy discomforts of pregnancy, her surprise that her babysitter, as it were, knew how to use a computer, and myriad other examples of trophy-wife narcissism.

The *Times*'s editors helped make sure that readers were offended by the gap between Bergdorf egg and Wal-Mart womb. The photos—one of an ungainly Hilling sitting on a run-down porch (which, she later objected, was the only dilapidated section of her house) and another of Kuczynski, svelte and coiffed on the manicured grass of her Southampton home with a dark-skinned baby nurse standing at attention nearby—couldn't have been more provocative if the editors had shown the writer planting a stiletto heel in her surrogate's back.

Still, I couldn't help wondering, after perusing the 300th online comment decrying the inequality between employer and employee, whether these objections were too easy. Not that the typical income gap between surrogate mothers and parents isn't troubling. In this globalized era, infertile European and Asian couples increasingly outsource their embryos to poor mothers in India. If that doesn't make you cringe, try the recent *Newsweek* report that military wives are turning to surrogacy to earn needed cash, sometimes making more than their soldier-husbands do in a year.

Yet the truth is that surrogates—Americans, at any rate—show few signs of feeling exploited. On the contrary, these proletarians pity their managers. Many working- or lower-middle-class women who become surrogates already have three or more kids of their own. These women don't just love children; they adore the whole leaky, clumsy, achy mess of pregnancy and childbirth. On surrogacy website forums, "surro-moms" download sonograms, post pictures of their bellies, muse about their IMs (intended mothers), and decorate their posts with rainbows and butterflies.

In other words, despite their radical line of work, surrogates tend to be profoundly conservative when it comes to their female identity. They experience the sort of visceral fulfillment in pregnancy, childbirth, and motherhood that their better-educated and wealthier sisters find somewhat alien. Don't get me wrong: most educated women want to have kids, or will want to at some point. Kuczynski describes a "mad desire that seemed to defy logic"; I suspect that the majority of female lawyers and editors will recognize the symptom.

But the mental and emotional universe that the surrogate occupies is different from that of many infertile mothers-to-be. To be part of the educated middle class is to discipline primal urges, to order life in a way that tends to preclude Sarah Palin–style maternalism, and, in many cases—often unintentionally—to rule out kids altogether. It's no coincidence that Kuczynski has an aerobic look in the *Times* photo, or that Hilling appears overweight; as Liza Mundy reports in *Everything Conceivable*, this is often the case with surrogate moms. Here's the bottom line: the woman in need of a surrogate is depending on and soliciting a notion of female physicality that she herself has spent much of her life evading, perhaps even condemning.

But the Hillings of the world may laugh last. In developed nations, less educated women are reproducing at much higher rates than their college-educated sisters. Demography may yet trump inequality. ■

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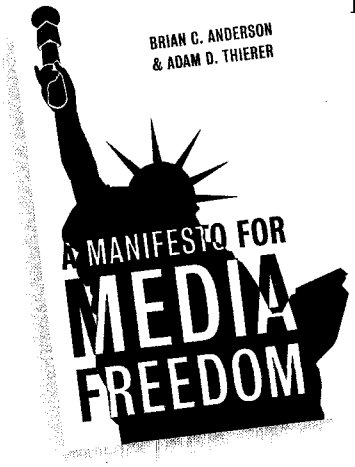

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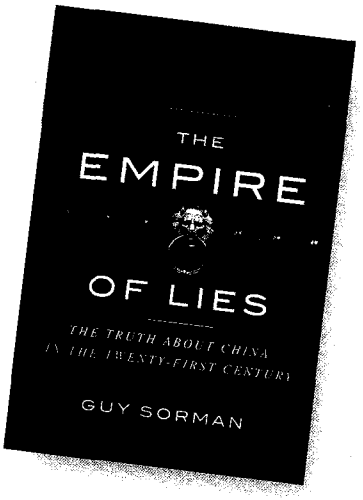

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